



Dufry Day 2019

Strategic
developments
for the
New Dufry

Julian Diaz,

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 DUFRY

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AGENDA

- | | |
|---|------------------|
| 1. Review Q1 2019 results | Julian Diaz |
| 2. Strategic Developments for the New Dufry | Julian Diaz |
| 3. Acceleration of the Business Model | José Antonio Gea |
| 4. Dufry Digital | Javier Gonzalez |
| Break | |
| 5. IFRS16 adoption and new KPIs | Yves Gerster |
| 6. Q&As | All |

1

Review Q1 2019 results

Highlights Q1 2019 (1)

Organic growth acceleration

- Solid turnover growth by 3.4% to CHF 1,882.6 million
 - Organic growth excluding South America of +5.6%
 - Organic growth acceleration to +2.0% in Q1 2019 from Q1 2018 (despite shift of Easter to Q2)
- Gross profit margin increased by 40 bps to 60.3%

Adjusted KPIs following IFRS 16 implementation

- Adjusted operating profit (Adj. EBIT) reached CHF 46.0 million in Q1 2019
- Adjusted net profit amounted to CHF -8.8 million in Q1 2019
- Adjusted operating cash flow reached Q1 2019 of CHF 159.3 million (Q1 2018: CHF 164.7 million)
- Equity free cash flow of CHF -123.0 million (Q1 2018: CHF -103.3 million)
 - Typically Q1 and Q4 are less important quarters for cash generation

Highlights Q1 2019 (2)

Ongoing expansion of retail space and refurbishments

New organization in place

Dividend payments to be continued

- Shop development plan progressing as expected
 - 9,100 m² of retail space opened across 86 shops, through new openings and expansions
 - 14,400 m² of commercial area refurbished in 27 shops
 - Contracts signed that will add 18,800 m² to the portfolio in the remainder of 2019 and 2020
- New organization structure announced in January 2019 now in place
 - New Division Europe and Africa combining former divisions UK and Central Europe with Southern Europe and Africa
 - Further accelerate the commercial decision process to be closer to the market and generate additional efficiencies
- Continue to return capital to shareholders through dividend payment
 - Increased dividend of CHF 4.00 per share to be paid on May 16, 2019 (CHF 3.75 in 2018)

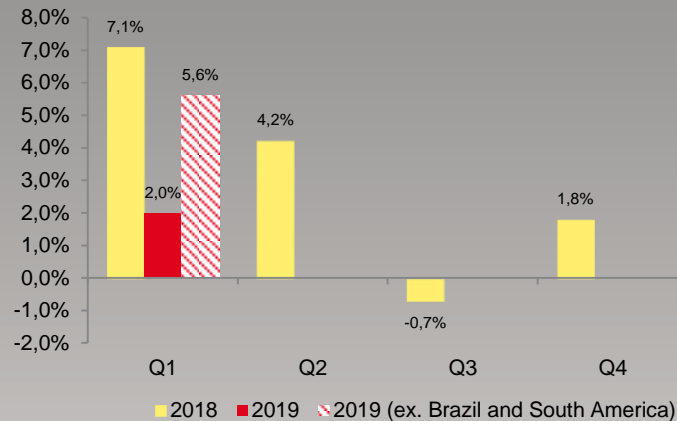
Organic growth

Organic growth continued in positive territory

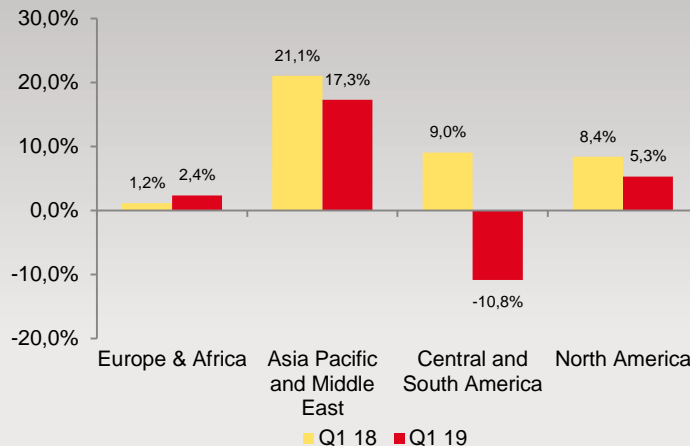
Resilient performance given market conditions

Fundamentals of the business still strong

Organic growth evolution



Organic growth by division

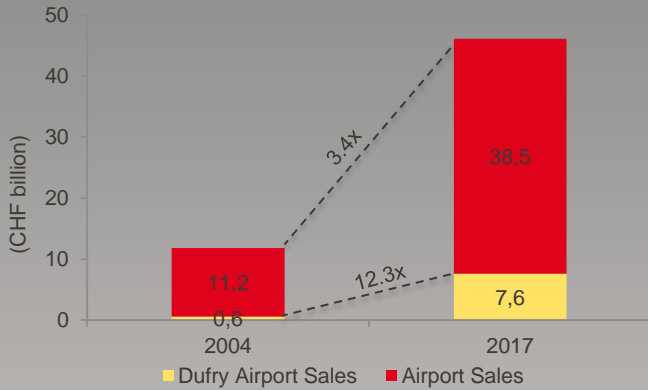


- Solid turnover growth of 3.4% in Q1 2019
 - Organic growth of +2.0%
 - Organic growth excluding South America resulting in +5.6%
- Organic growth further improved to +2.0% in Q1 2019 from +1.8% in Q4 2018
 - Good performance in most of Europe and North America
 - Improvement in Spain
 - Still tough conditions in South America
 - Growth acceleration from net new concessions due to openings in Asia

2 Strategic Developments for the New Dufry

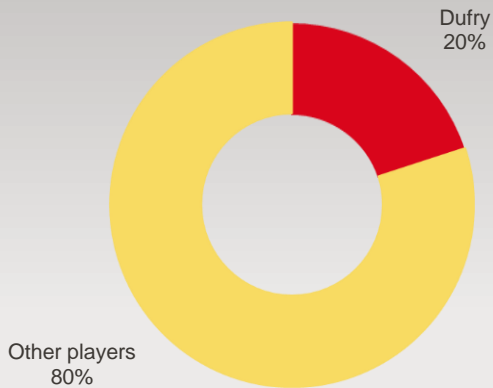
Evolution of Airport travel retail and Dufry

Airport Retail Sales



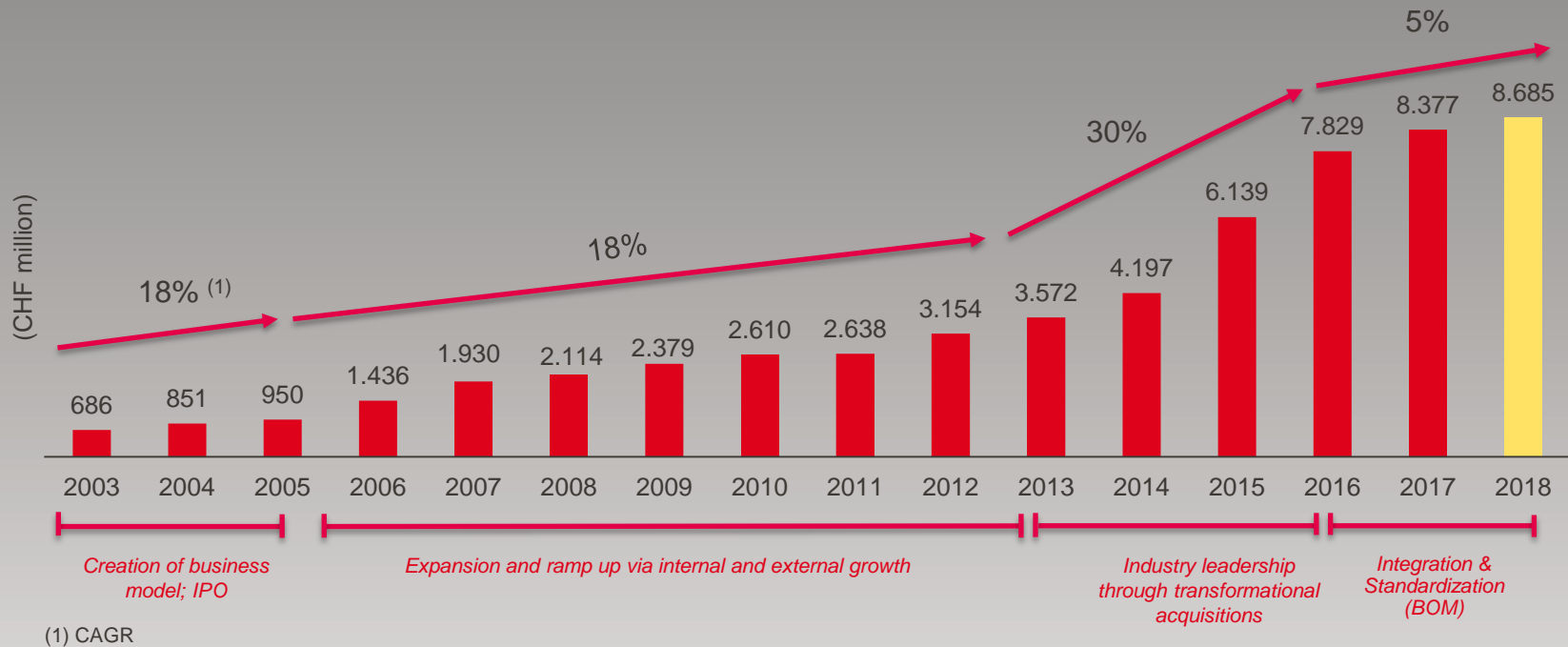
- Over the last 15 years Dufry became the undisputed leader in travel retail:
 - Market share growth to over 20% in airport travel retail form 3% in 2003, through organic growth and active industry consolidation
- Dufry grew more than 3x faster than overall airport sales
- Turnover CAGR of 18% for the period
- Today positioned as most global and geographically diversified player

Market share in airport retail



Successful execution of growth strategy driving sales and market share

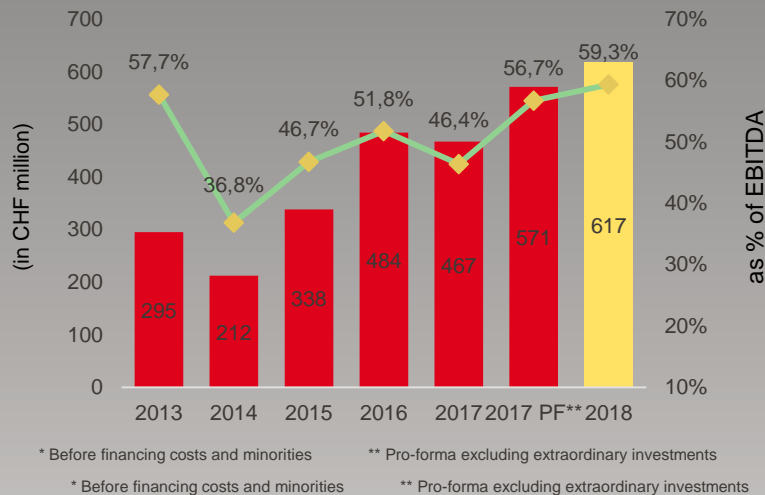
Turnover Evolution



- Dufry has had consistently high growth through a combination of organic growth and M&A
- Business profile has changed throughout due to size and diversification (geographies, channels)
- The “New Dufry” is a much larger and more mature business compared to previous periods

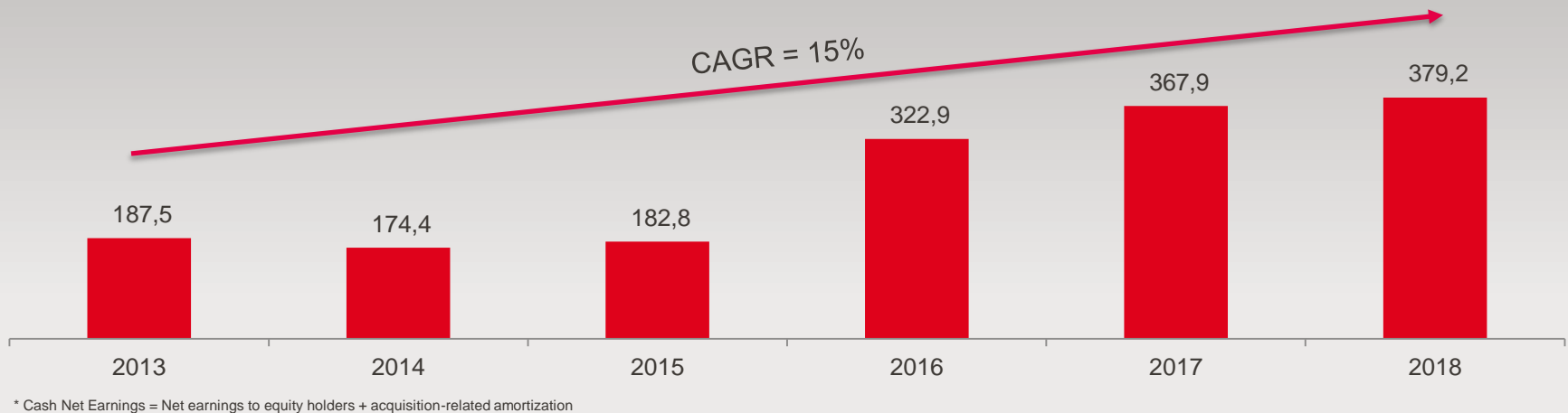
Resilient cash flow generation and cash net earnings growth

Free cash flow*



- Good KPI for business performance
- High, resilient free cash flow generation allows for quick deleveraging
- 2015: Resilient cash flow generation despite pressure on organic growth
- 2017: Good cash flow generation despite one-off investments in business development
- 2018: Record level of Free Cash Flow benefitted by EBITDA growth, reduced Capex and NWC

Cash Net Earnings* Evolution (incl. M&A)



The Travel Retail Industry is
changing ...

... but remains an attractive and
growing retail channel

Three main areas driving change in the travel retail industry

Short-term aspects & long-term trends

- Increasing volatility in short-term aspects influencing travel retail industry, of which FX volatility is the most pronounced one
- Changing customer behavior & expectations
- New customer profiles entering travel retail channel e.g. millennials & low cost carrier passengers
- Growing importance of experience, exclusivity and convenience aspects

Secular growth of travel and mobility

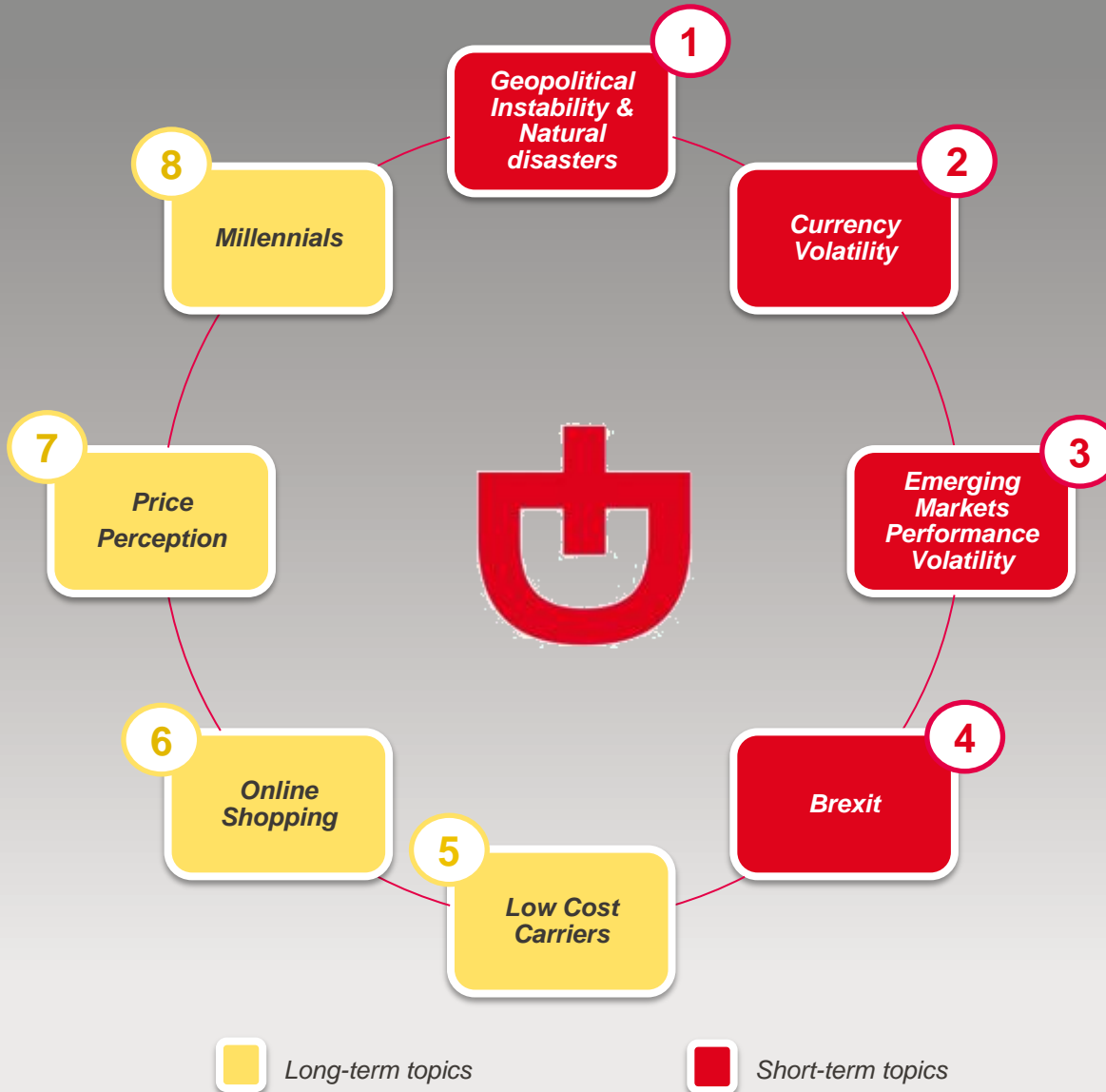
- Undisputed secular growth of international and domestic travel and mobility
- Additional opportunities for duty-free and duty-paid sector
- Airport channel with resilient growth
- Alternative channels beyond traditional airport operations have different cost structures, but offer interesting return opportunities; e.g. cruise lines

Growing importance of travel retail channel for brands and landlords

- Travel retail (6.4%*) is the only growing retail format beyond online (16.2%*).
- Brands invest in travel retail through increased presence, customer engagement marketing strategies focused on exclusivity and experience
- Landlords increasingly depend on commercial revenues and invest in travel retail through improvement of shopping areas in all channels (airports, train stations, cruise & ferries, downtown etc.). The share of travel retail in their non-aeronautical revenues accounts for over 26%**.

* Expected Global Data CAGR 2018 – 2021 / ** Source: ACI Economic Report 2017

Short-term aspects and long-term trends reduce visibility



- Travel retail historically affected by external factors:
 - Natural disasters
 - Local political / economic impacts
- In the last few years, volatility has increased especially in emerging markets
- Equally, new long-term trends have started to emerge, which will require an adaptation of the business model
 - Change in customer behaviour
 - Low Cost Carriers
 - Online & Digital

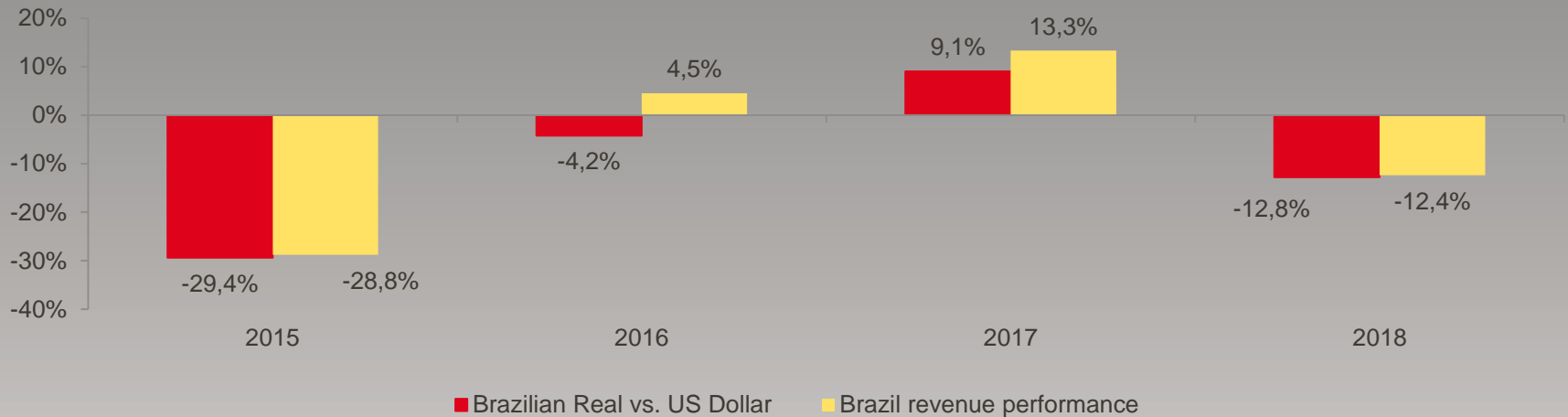
1 Geopolitical instability & Natural disasters

- Geopolitical instability and natural disasters can sometimes influence the travel retail industry on a local or regional level
- Impacts have proven to be of short or medium term only
- Short- and medium-term character of impact allows for fast recovery of the business in the concerned locations

2 Currencies: Increase of currency volatility may impact purchasing power

3

Brazilian Real and Brazil revenue performance



- Brazilian Real as an example illustrates the strong correlation which FX development can have on revenues; see e.g. years 2015-2018 in the chart above
- High and precise correlation of the currency and the growth evolution: Reducing in 2015 and 2018, when the currency devaluates, but recovering as soon as the currency appreciates as in 2016 and 2017
- Reason for the high correlation: Dufry prices its products always in hard currencies such as US dollars, Euros, British Pounds or Swiss Francs
- Emerging markets' loss of purchasing power impacts consumer spending and revenue performance in locations exposed to such nationalities
 - Hike in interest rates in US in the last years: Capital flows moving from emerging markets
 - F/X still pressuring local currencies such as Arg. Peso, Brazilian Real, Russian Ruble

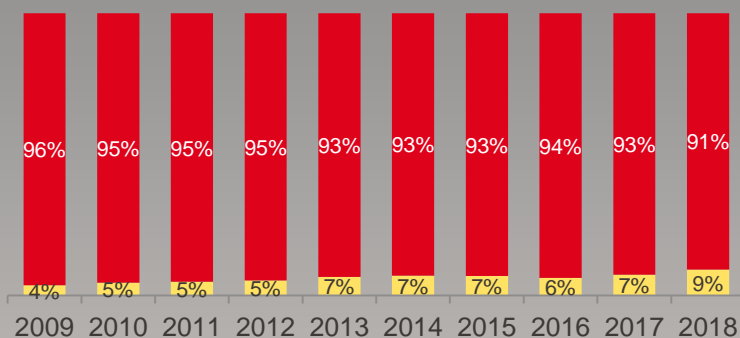
4 Brexit: Opportunity for Dufry business

- UK to become a third country, potentially paving the way for a return to duty and tax free sales for passengers travelling between the UK and EU member states.
- EU law clearly states that passengers travelling to 'third countries' may avail themselves of duty and tax free purchases when departing EU member states.
- A number of countries which have Single Market or Customs Union arrangements in various forms with the EU, have duty-free sales (Iceland, Norway, Switzerland, Turkey) therefore the form of any future trading relationship with the EU should not pose an obstacle to the return to duty & tax free sales.
- There is lack of clarity as to when and if a return to duty free sales will become effective, depending on how the UK is leaving the EU
- Possible benefits for Dufry
 - Re-introduction of UK as a full duty-free market, thus increasing the number of duty & tax free transactions
 - Open sales for tobacco category for EU destinations

5 Low Cost Carriers: One of the main PAX growth drivers

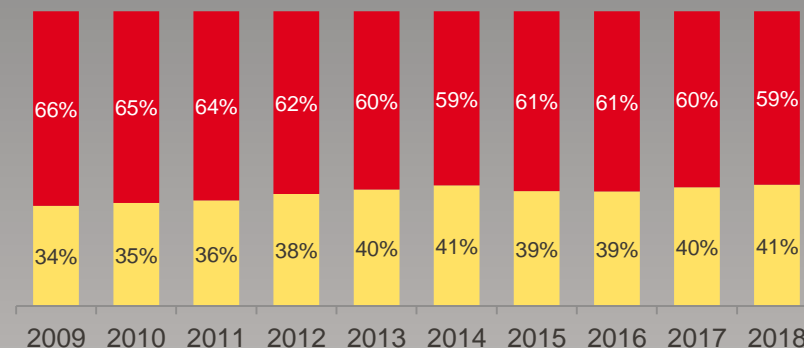
LCC Capacity Share Evolution in Europe

Long Haul



■ LCC seats ■ Non LCC seats

Short Haul



■ LCC seats ■ Non LCC seats

Source: CAPA

- One of the main drivers for the increase in passengers has been the expansion of low cost carriers (LCCs) in the air industry.
- Europe as the most developed market in the world for LCCs, representing an increasing share of the short-haul market from 9% fifteen years ago to nearly 41% today.
- Europe has the highest LCC penetration rate in the world, but growth is slower than in most of the other regions – as would be expected for a mature market.
- LCCs accounted for 41% of seats within Europe in 2018, compared to an already high 34% in 2009. LCC seat capacity within Europe has increased by 78% over the past nine years, whereas full service carriers capacity has increased by 31%
- Low Cost Carriers contribute to sales by increasing passenger numbers

6 Online Shopping



Online Shopping increasing importance along the years

- Global retail sales reached 16 trillion USD in 2017 of which 1.2 trillion (7.3%) was considered online. For 2021, online sales will reach 10% share (USD 2.1 trillion out of nearly USD 21 trillion)
- Customers are breaking down online / in-store barriers, adopting new technologies which bring new business model opportunities.

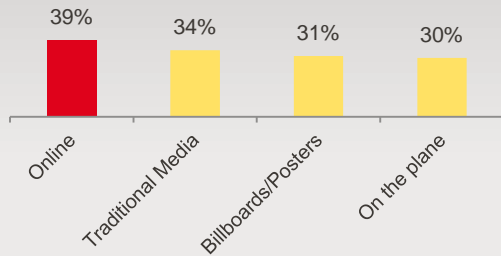
Driving further opportunities from online shopping

- Travel Retail less affected by online growth due to captive audience and unique opportunity for engaging with customers.
- Online touchpoints becoming more relevant for the decision making process to buy in duty-free
 - Online touchpoints double the probability to convert a traveler into a buying customer (right-hand chart)

Impact of pre-trip touchpoints on decision making process to visit / enter / shop in duty-free

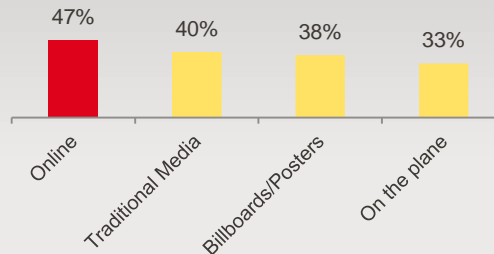
Likelihood to visit DF shops

% increase in likelihood to visit a DF shop based on the influence generated by touchpoints



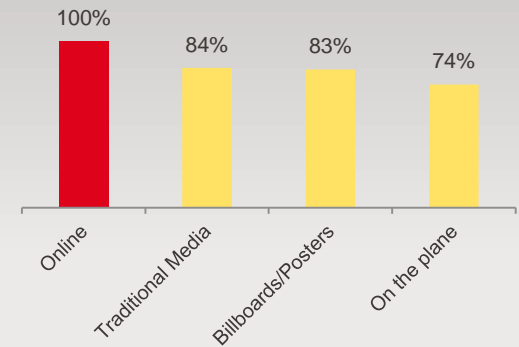
Impact on conversion

% increase in conversion rate; i.e. how many passenger at the airport really enter a DF shop



Likelihood to really buy in DF shops

% increase in likelihood to buy in a DF shop



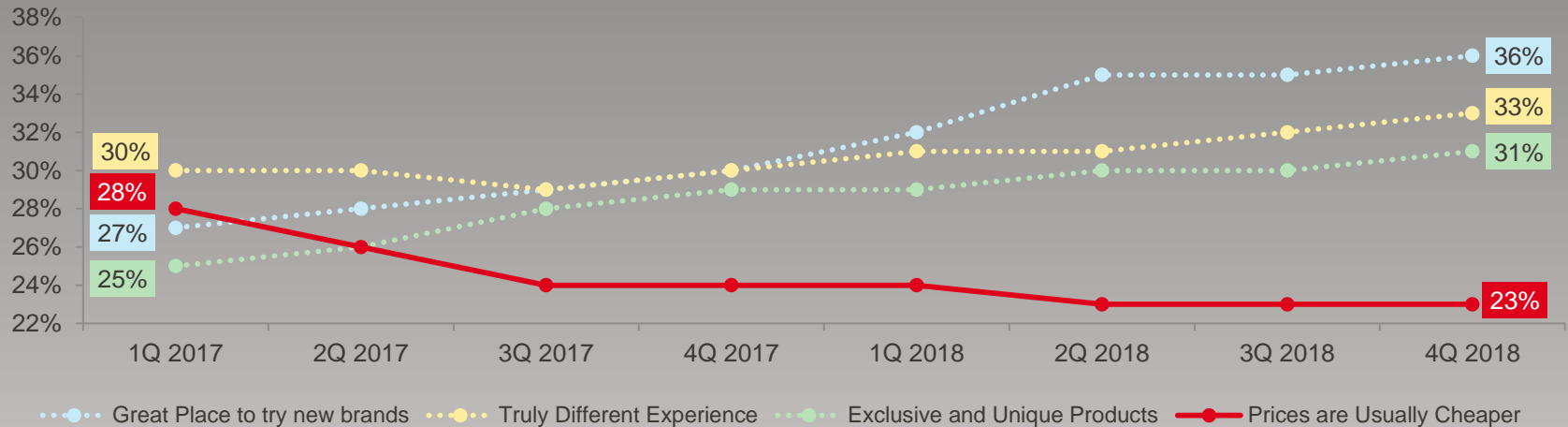
Source: M1nd Set

7

Increasing importance of exclusivity, experience, novelties vs. decreasing price sensitivity/perception

Reasons why to shop in Duty Free Shopping

% of Travellers who agree



Source: DF & TR industry by DFWC and M1nd Set / Data available only as of 2017

- Online research in retail has increased over the years as most consumers are “always connected”
 - Shoppers are now comparing prices online
 - Price sensitivity/perception is less relevant for customers to buy in duty free
- Evolving customer expectations
 - Speed and Convenience: Consumers are demanding **quick, consistent interactions**
 - Personalization: Consumers expect brands to **cater to their individual needs**
 - Meaning: Consumers expect a **deeper connection with brands and their values**
 - Personal Fulfilment: Shopping must be a **fulfilling experience**

8 Millennials

- Millennials (20-35 y/o) and Generation Z (5-20 y/o) are **hyper-connected** consumers with **increasing purchasing power** who shop at all-time and on the go
- Represent around **23%** (300 million travelers) of the global international tourism market, with around **USD 308 billion** on tourism spending
- Millennials are starting to dominate the **consumer class**, with predominant ways of communication with travelers changing
- **Experience-driven**: Millennials are less focused on possession and ownership and more focused on experience
- **Connected**: While travelling 97% of millennials use social media, and 75% post to social networks at least once a day when travelling

% of Millennial Shoppers who plan to purchase in Duty Free shops – Top Nationalities



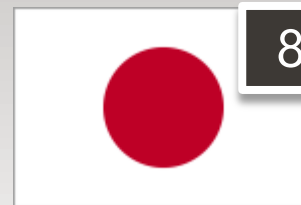
89%

- 53% Self Purchase
- 47% Skincare



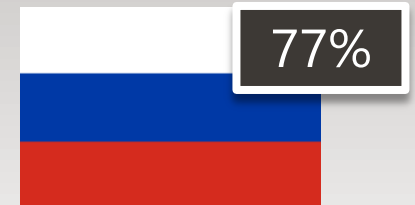
85%

- 54% Self Purchase
- 46% Perfumes



82%

- 45% Self Purchase
- 42% As a Gift
- 38% Confectionary



77%

- 48% Liquor
- 46% Self Purchase

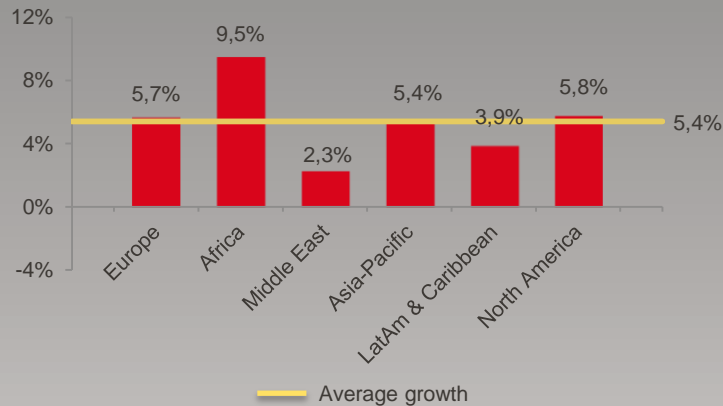
Source: M1nd Set

Global passenger growth remains strong

Healthy international PAX growth

Forecasts continue strong

International PAX growth – Q1 2019



Source: ACI, as of Feb, 2019

- Overall positive passenger growth in Q1 2019
 - Passenger growth at Dufry operations lower, mainly due to limited exposure to Asia
- Passenger growth expectations for next years show strong, continued growth in all regions

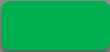
PAX = Passengers

International PAX growth forecast

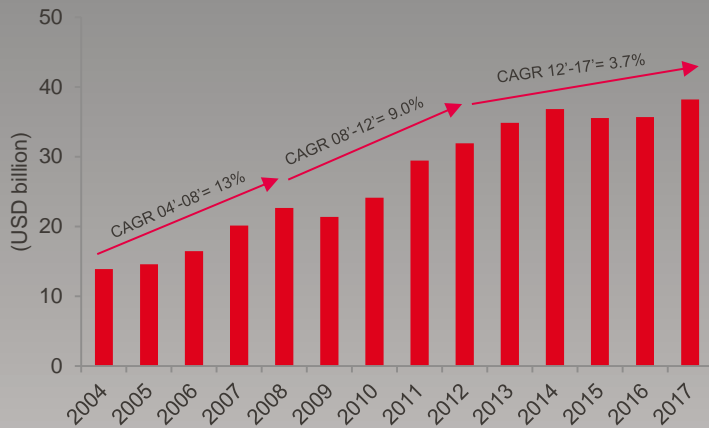
| | 2019 | 2020 | 2021 |
|-----------------------|-------------|-------------|-------------|
| Europe | 6.0% | 5.4% | 5.0% |
| Africa | 7.7% | 4.3% | 4.2% |
| Asia Pacific | 6.4% | 6.3% | 6.0% |
| Middle East | 1.8% | 4.6% | 3.5% |
| Latin America | 4.6% | 4.8% | 4.6% |
| North America | 5.5% | 4.9% | 4.7% |
| World in total | 5.7% | 5.5% | 5.1% |

Source: Air4casts (01/04/2019)

Airport Channel and Dufry growth rates are now more moderate



Airport Retail Growth

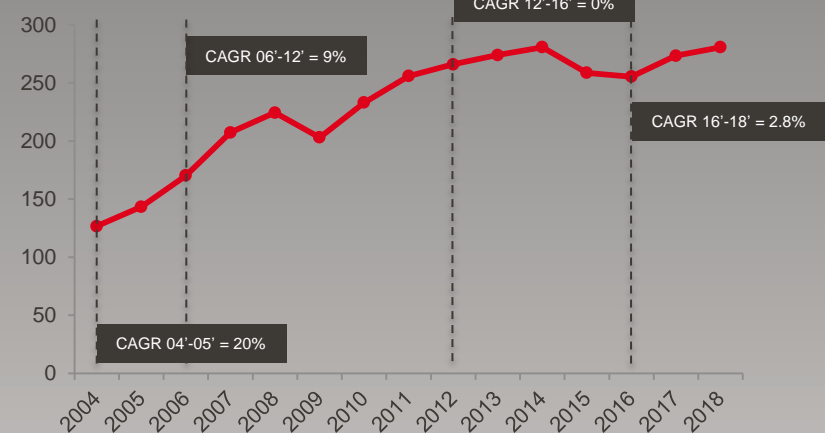


Source: Generation

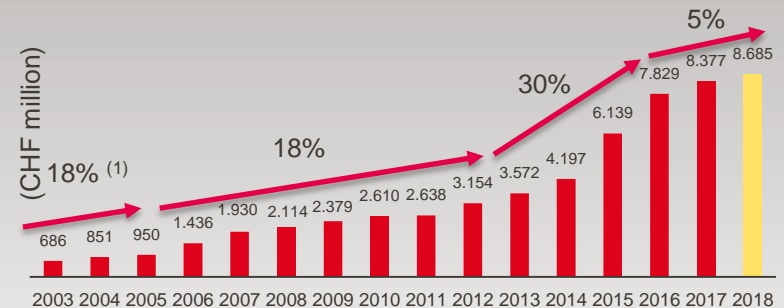
- Growth of overall airport travel retail continues to be resilient, but at more moderate rates
- Over the past years, Dufry's growth has been above the trends in airport retail
- Growth patterns have become more volatile

Dufry's Organic Growth

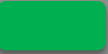
On a hundred basis



Dufry's total growth in CHF



(1) CAGR



- Propensity to travel and the general increased mobility – also daily travel to work – offer new opportunities in travel retail
 - Both international and domestic travelers, have generated new commercial concepts in duty-free and duty-paid depending on the customer profile
 - Low Cost Carriers contribute with additional capacity, which can be served with dedicated assortments and commercial concepts
 - Alternative channels gain importance and allow to capture travelers in different moments of life e.g.:
 - Daily travel to work needing a convenience offer
 - Holiday or international business trips with a more sophisticated assortment for experiences, gifting, exclusivity etc.
 - Different channels and retail formats have cost structures differing from traditional airport operations, but offering attractive return levels e.g.
 - Cruise lines have higher concessions, but require no investments on shop development
 - Convenience shops have lower concessions but tend to have higher personnel costs

Growing importance of travel retail for brands and landlords

- Travel retail offers brands a unique environment and opportunities to provide customers with outstanding shopping experiences and offering best in class products
 - Brands recognize the relevance of the channel, the value of strategic marketing partnerships and the unique opportunity to position products to an affluent audience with memorable experiences
 - Brands invest in internal organizations, product development and marketing initiatives to foster the travel retail channels
 - Dufry is a unique window-display for brands to create brand equity: 65 countries & 2,300 shops
- Landlords invest in further developing the retail spaces to increase revenues by optimizing passenger flows and shopping experiences
 - Travel retail generates 26.5%* of non-aeronautical revenues for airports; compared to 6.1%* of F&B
 - Travel retail generates between 3.4x** (mature markets) and 5.5x** (emerging markets) more revenues per square meter than F&B
 - As a consequence of growing passenger numbers landlords increase retail space, provide better locations and improve assortments to participate in the growing profitability of their assets and to increase concessions fees. Dufry expects to see concessions fees growing in average by 20-30 bps per annum as a base case, which can be influenced by contract renewals and new additions which can have higher or lower concession fees depending on the channel, but still offering good returns
- We expect that Dufry margins will be resilient considering current market dynamics

* Source: ACI Economic Report 2017 / ** Source: ACI KPI report 2018)

Dufry started to adapt its strategy to the new industry environment ...

... to continue growing the company and benefiting from this resilient business sector

Dufry Strategy

1. Growth

Organic growth

- Expansion in airports & alternative channels
- Accelerate growth with operational initiatives
- Adapt assortments to new customer profiles and purchasing behaviors

M&A with focus on Asia

- Evaluate small & mid-size opportunities for bolt-on acquisitions
- Focus on Asia, but not only

2. Operational Performance

Profitability

- Further grow gross profit margin through closer cooperation with brands
- Further leveraging business model and flexible cost structure

Cashflow

- Maintain “financial discipline”
- Drive resilient cash-flow generation

3. Capital Allocation

Capital returns

- Continue returning capital to shareholder through dividend payout at least at previous year's level

De-Leverage

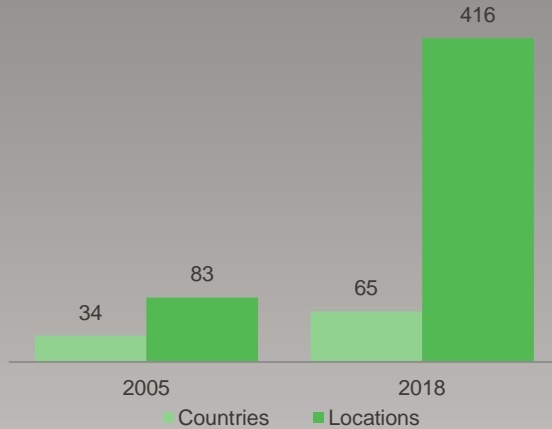
- Further reduce net debt with target of 2.5x-3.5x net debt/Adjusted operating cash flow

Invest in M&A

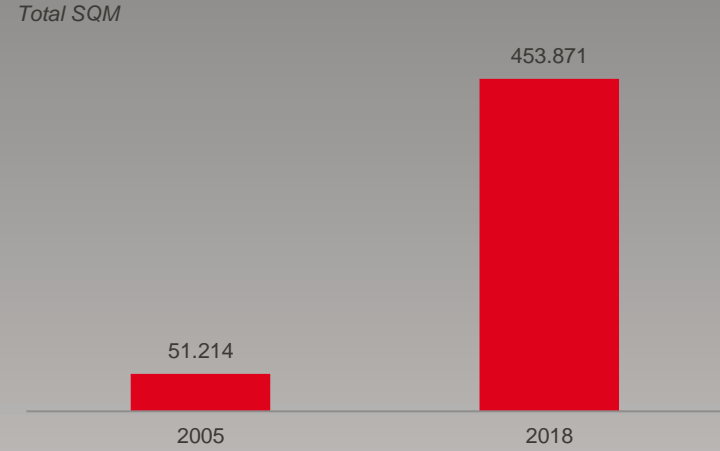
- Invest in M&A

Strategy: Dufry's answers to short-term topics and disruptions (1/2)

Geographic Diversification Country and Location Evolution

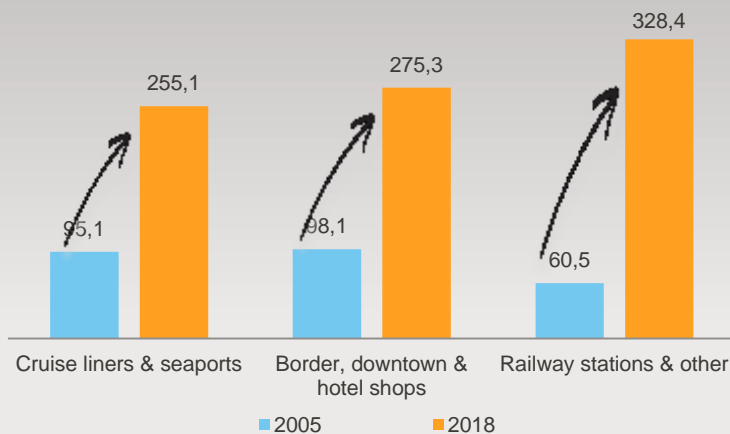


Diversification by Retail Space Evolution



Diversification in alternative channels

Net Sales (CHF, million)



- Geographic diversification considerably mitigates risks generated by external impacts in single markets or regions
- Well balanced operations across different channels and categories
- Dufry has limited its exposure to single contracts: its largest concession accounted for around 7% of the business, with the ten biggest representing less than 35% of 2018 sales
- High-quality and diversified concession portfolio in attractive locations
- Only real global player in the industry benefitting from scale advantages

Strategy: Dufry's answers to short-term topics and disruptions (2/2)

Highly Flexible Cost Structure

- Large scale benefits through integrated approach and significant proportion of variable costs
- Significant variable cost base provides additional resilience to the business
- Variable cost structure limits impact of downturns
- Dufry's cost structure:
 - **COGS**: Entirely variable
 - **Concession Fees**: Vast majority (> 80%) of concession payments are variable, based on sales
 - **Personnel expenses**: Around 1/3 variable, but it can be flexed in response to a prolonged downturn
 - **Other operational expenses**: Around ½ variable

Strategy: Dufry's answers to long-term structural changes (1/2)

Detailed understanding of customer shopping habits & profiles

- Dufry conducts on a regular basis customer research with brand partners' collaboration to identify and stay up to date with general retail market trends
- As the only truly globally active travel retailer, our unique customer understanding helps us identify customer preferences by nationality with respect to brands, products and responsiveness to marketing campaigns and promotions.
- Dufry's deep understanding of the global consumer allows us to:



Provide best in class & adaptable retail experience

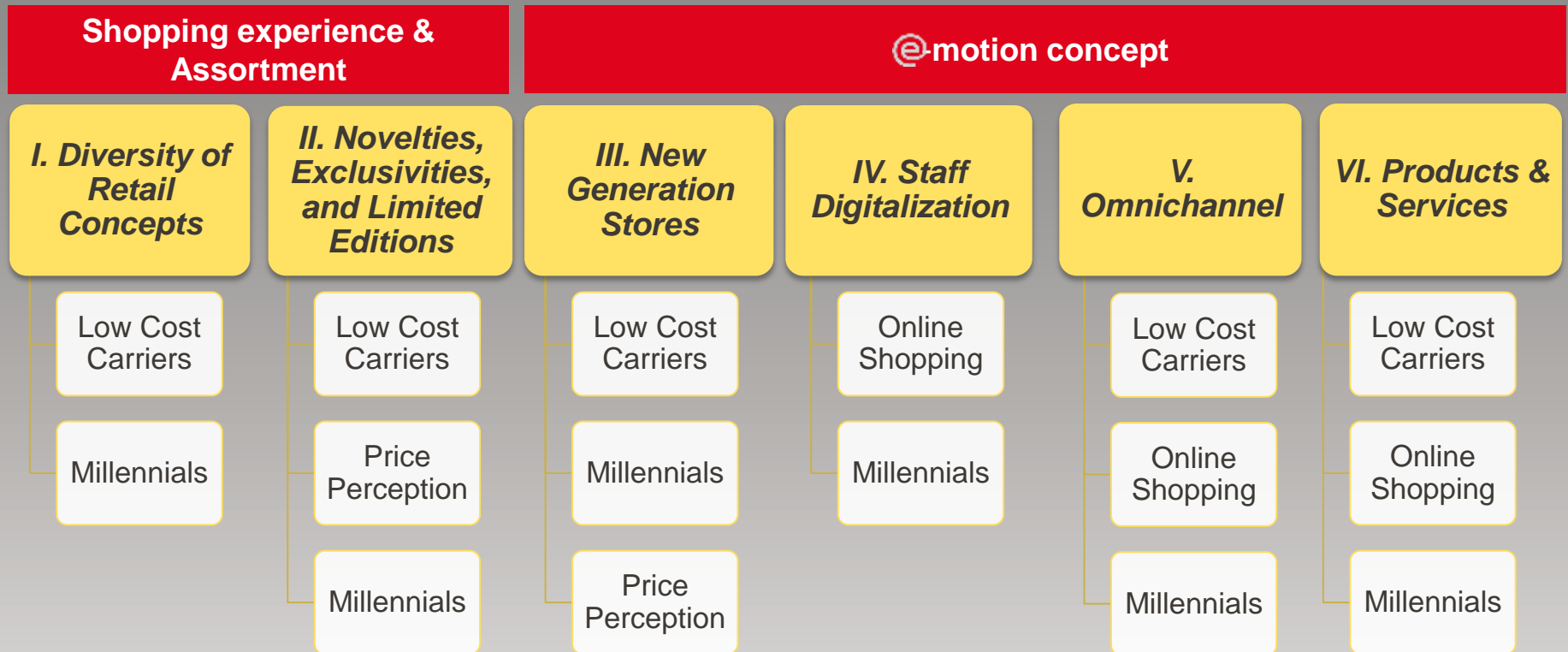


Rapidly responds to changing purchasing habits and consumer profiles



Develop targeted marketing & assortment to increase consumer spend and profitability

Strategy: Dufry's answers to long-term structural changes (2/2)



- Constantly adapt retail concepts, shop design and assortment to changing customer behavior and expectations
- Implement tools to engage with our customers in new ways, through a 360 experience, creating a clear link between physical and digital
- Digital technologies to improve the experience in store and throughout the customer journey with the objective of increasing penetration & average ticket

I. Diversity of Retail Concepts: multiple commercial formats, to best serve specific travel channels or geographies (1/2)

New Generation Stores

Duty Free Shops
Focused on Digital
technology



- Stores featuring digital signage technology to communicate in different languages and adapting offerings and promotions to passenger profiles during the day
- Attracts experience-oriented travelers by transforming in-store experience
- Presented in Melbourne, Madrid, Cancun T3 and T4, Zurich, Heathrow T3, Buenos Aires, Malaga

General Travel Retail Shops

Duty-Free shop in
Malaga



- Large selection of products with all core categories
- Typically located in main passenger flow areas, in both arrival and departure zones. Ideal to implement walk-through concepts
- Over 800 shops operated as of December 2018

Dufry Shopping

Duty-Paid
store in Las Vegas



- Similar offer of travel retail shops, but with duty-paid regime, targeting domestic passengers
- Additional potential of internalization given the importance of domestic travelers
- Presented across 7 locations in Brazil, 1 in US and 1 in Malta

I. Diversity of Retail Concepts: multiple commercial formats, to best serve specific travel channels or geographies (2/2)

Brand boutiques

Individual brand shops; e.g. Dior



- Show-case for global brands located in duty-paid or duty-free areas
- Examples: Bally, Burberry, Bvlgary, Ermenegildo Zegna, Hugo Boss, Lacoste, Montblanc, MAC among others
- Over 140 brand boutiques operated as of December 2018

Convenience Shops

Hudson stores



- Shops offer wide assortment of soft drinks, publications, confectionary, travel accessories, electronics, souvenirs, etc.
- Very flexible concept for domestic and international passengers as well as alternative channels
- Almost 550 shops operated in North America and 135 outside US and Canada as of December 2018

Specialized/ Theme Shops

Thematic shops; e.g. Sweet Indulgence



- Products from the same category or a specific theme but from several brands
- Concept deployed internationally and can be located in multiple channels
- 670 specialized shops operated world-wide as of December 2018

II. Foster trend of growing importance of Exclusivities, Limited Editions and Novelties (1/2)

- Since 2016, Dufry has been strongly engaging with brands to create exclusive products, limited editions and launch novelties



II. Foster trend of growing importance of Exclusivities, Limited Editions and Novelties (2/2)

- Depending on the category, up to 30% of Dufry's sales come from promotions, novelties, Dufry and Travel Retail exclusives, and special editions. Currently novelties and exclusive products account for 16% of Group duty-free sales.



Summary of strategy evolution going forward ...

Strong strategic positioning allows to drive change

- Dufry has an unrivaled position in travel retail
 - Leading player and most diversified operator
- Dufry's business model has been very successful so far, and is currently being evolved and adapted to the new industry trends and customer behaviors
- Dufry has expertise and resources to drive and lead such changes
- Evolution of strategic positioning and business model adaptation to be driven out of fundamental strategic strengths, which will be maintained going forward:
 - In-depth understanding of travel retail and customer behavior
 - Financially disciplined
 - Variable cost base
 - Careful risk management

Elements of strategic evolution going forward

- Strong customer focus adapting to changing profiles and purchasing behaviors
- Accelerate growth by leveraging business model and developing commercial initiatives
- Develop further commercial concepts and work with suppliers to drive gross profit margin improvements in coming years
- Further drive digitalization and E-Motion
- External growth through small- and mid-sized acquisitions
- Drive efficiencies through new organization and further improvements of systems and processes
- Focus on cash flow generation and returns

Mid-term performance indications

- Mid-term organic growth target of 3%-4% based on market trends
- Equity Free Cash Flow (ECFC) in the range of CHF 350-400 million; growing in line with top-line
- Continue with current dividend policy
- Maintain leverage at target level of about 2.5x – 3.5x net debt/adjusted operating cash flow

Thank you

 DUFRY



Investor Day

Deputy CEO,
José Antonio Gea

May 14th, 2019

 **DUFRY**

Dufry Initiatives



Three factors



Travel Retail: A sector with constant growth



Dufry: A Company with a strong history of delivery



Acceleration of the Business Model: a solid and ambitious Plan

What is the Travel Retail Sector?



What is the Travel Retail Sector?

Market size of USD **76** B in 2018

Tripled in size in last 15 years

Global traffic surpassed the **8.2** billion passenger mark in 2017

And it is expected to almost **double** by 2032

Source: The Data Circle from Generation Research, The Moodie Davitt Report and m1nd-set! DF World Council

Duty Free sector has a high potential for growth



Market with a guaranteed growth



Best retail customer profile



Profitable industry



Non optimized sector from a Retail point of view

What is Dufry?



What is Dufry?

Present in **65** countries



20 % market share in
airport travel retail



Over **2,300** stores



CHF **8.7B**
in Turnover in 2018

453,000
m² of retail space



CHF **370.8M**
Equity Free Cash Flow



Over **7 years**
of remaining average concession
lifetime



Over
36.000
employees

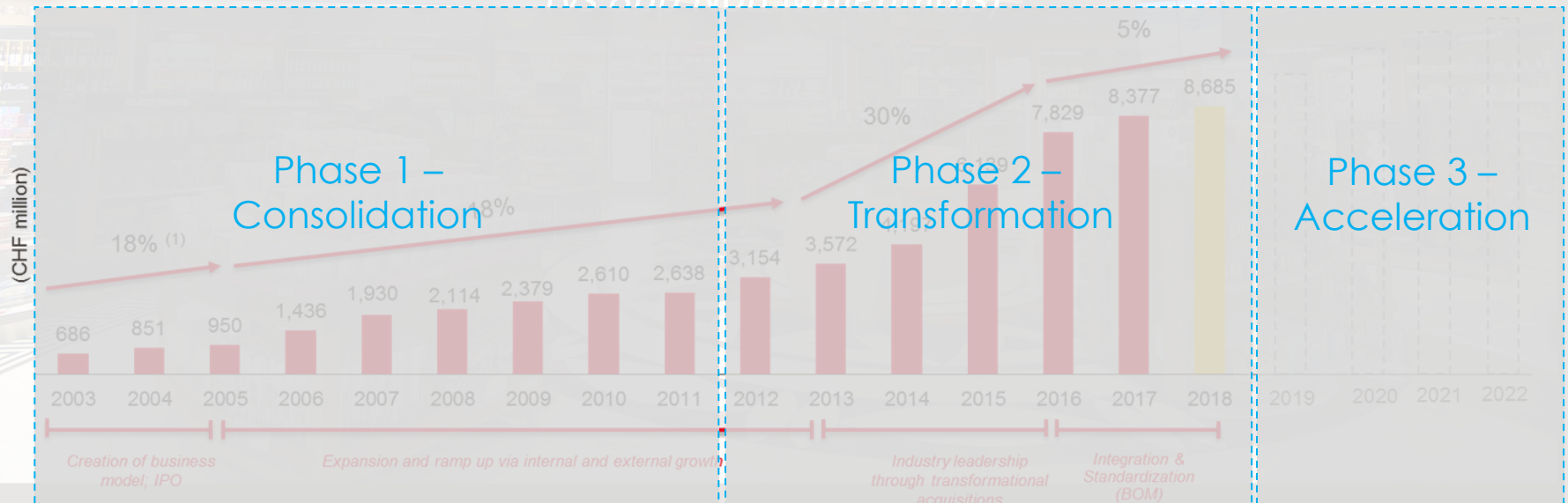
Dufry is a company that has continuously delivered over the past 15 years

Phase 1 – Consolidation of the Sector (2004 – 2011)

Phase 2 – Transformation of the Group (2012 – 2018)

Phase 3 – Acceleration of the Business Model (2019 – 2022)

Turnover Evolution



In Phase 1, we managed to accomplish our main goals

Phase 1 – Consolidation



Became **Leader of the Industry**



Obtained a **Critical Mass**



Regional Diversification – Delivering a balanced portfolio which helps mitigate local impacts



During phase 2, we focused on Transforming the Group

Phase 2 – Transformation



Transformation of Dufry – from 3B CHF to 9B CHF Company

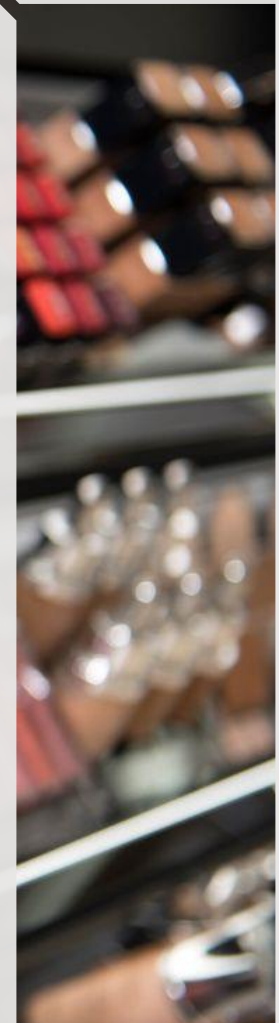


Full Integration of the Group



Creating a strong Business Operating Model

Resulting in the highest **Cash Generation** ever for the Group



Which was achieved through the following levers

Phase 2 – Transformation

- 1 Development of a unique and global **Business Operating Model**, including IT standardization and One Dufry HR program
- 2 Consolidation of **IOS Platforms** – Both from a logistics and commercial perspective
- 3 **@ - Motion** – Digital Platform
- 4 **Development of alternative channels**: Cruise Lines, Border Stores & Downtown

1

Definition and Roll Out of a fully standard and integrated **Business Operating Model**

BOM¹

50

Countries fully implemented & Certified by PWC



70

processes reviewed and globally standardized



CHF 61 M

Efficiencies delivered so far



634

Job profiles review in HQ, Division and Country

1 Cultural transformation initiative aiming at mobilizing our people through **One Dufry**

ONE DUFRY

3.348

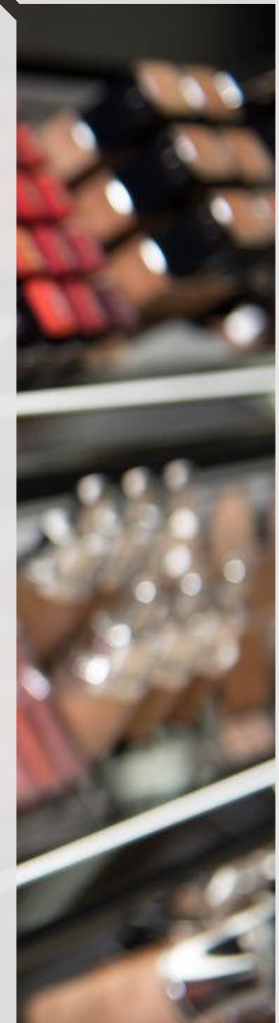
leaders trained including Store and Office Leaders in all Countries, Divisions and HQ



Rollout of
CSR
corner



Worldwide
delivery



1 The implementation of the **standard ERP (SAP)** and creation of one **unique Database** is the **foundation of the solid Business Operating Model**

34 countries
Standard SAP
ERP implemented

Business
Intelligence &
Artificial
Intelligence
Project ongoing

23
Global Dashboards

One Unique
Global
Database

Standard ERP
& Corporate
Applications

56
Key Performance
Indicators

Automatic
Forecast and
Replenishment

125
Global standard
reports

85% of the business running with the standard. 90% will be achieved by the end of the year

2

Logistics Platform - Centralization of all our planning and ordering activities for “Global Vendors” in 4 Global Logistics “Platforms” geographically located in strategic areas

Over **50K**
Purchase Orders issued
in 2018

Optimized
Product Flows
& Automated
Forecast

Shipments to over
400
Delivery Points

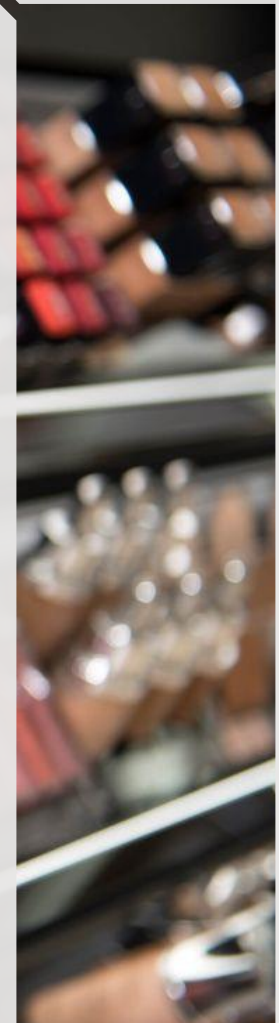
Standard
System and
Unique
Database

One Order

Service to over
50
Countries

Increased
service to
operations

Approximately
85k
SKUs



2

Commercial Platform - a Global Buying Team connected to the Business through the platforms and the development of **Brand Plans** together with Vendors

Unified & Global Terms and Conditions leveraging on the strength of the Group

Product/Brand launch Platform – Simultaneous Product Launch in

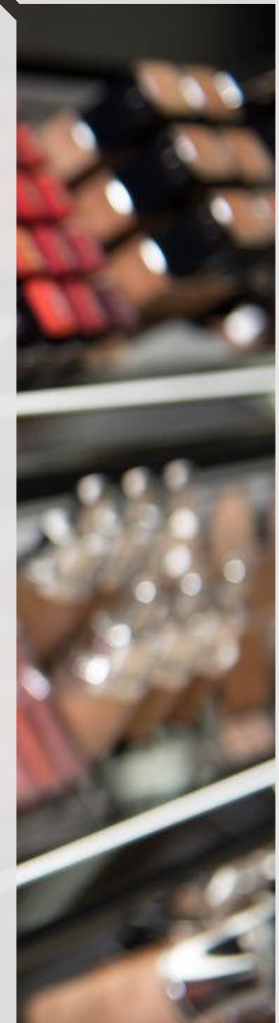
65 Countries

Unique and exclusive products



Over 30% of Sales drive by Promotional Program

Increased service to operations



2 Store Refurbishment Program & New Store Generation

51.600 sqm of retail space renovated in 2018,
representing 11% of our total retail space

Capex control under global system



5.2
shops per week








170
New Stores



78
Refurbishments

2 @ - motion pillar questions how to utilize new technologies & innovations to connect further with our Clients

Dufry's presence in the Customer Journey

| |  Prior Airport |  Departure Airport |  Flight |  Arrival Airport |  Post Airport |
|-------------------------------------|---|---|---|---|--|
| 1 Dufry Red | Red | Red | Red | Red | Red |
| 2 Pre-order Service | Red | Grey | Grey | Grey | Grey |
| 3 Social Media, Celeb. & Sponsoring | Red | Red | Grey | Red | Red |
| 4 NSG | Grey | Red | Grey | Red | Grey |
| 5 Store Digitalization | Grey | Red | Grey | Red | Grey |
| 6 Staff Digitalization & Training | Grey | Red | Grey | Red | Grey |
| 7 Emotion Inflight | Grey | Grey | Red | Grey | Grey |

3

Development of alternative channels



CRUISE LINERS & SEAPORTS



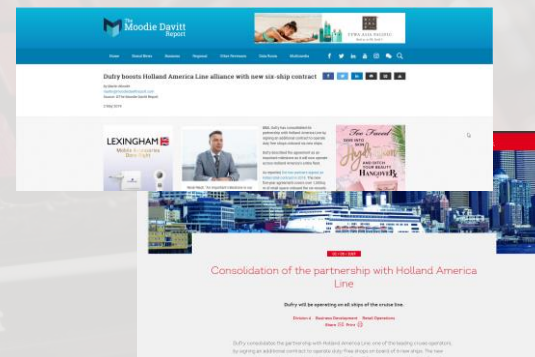
BORDER, DOWNTOWN & HOTEL SHOPS



RAILWAY STATIONS & OTHER

Channel Diversification – Delivering a balanced portfolio which helps mitigate specific impacts

2018 Net Sales in channels other than airports grew up to **10%**





**In summary,
Dufry has achieved**

**Critical Mass & a Strong Business Model
whilst delivering Cash Generation**

Now,

We need to focus on accelerating growth and optimizing the market

Phase 3, is built around four major levers to drive growth

Phase 3 – Acceleration

Short Term

Objective
Next Generation
DUFY RY RETAIL MODEL
to drive sustainable
profitable growth

- 1 Integrated Platforms closer to the business
- 2 Retail Store Excellence
- 3 Medium and Small acquisitions which can be easily integrated
- 4 Expand the Travel Retail market value by transforming Airports into Platforms for Brands, complementing Downtown and E-commerce business

Ambition
One Global,
More customer centric model

Medium/
Long Term



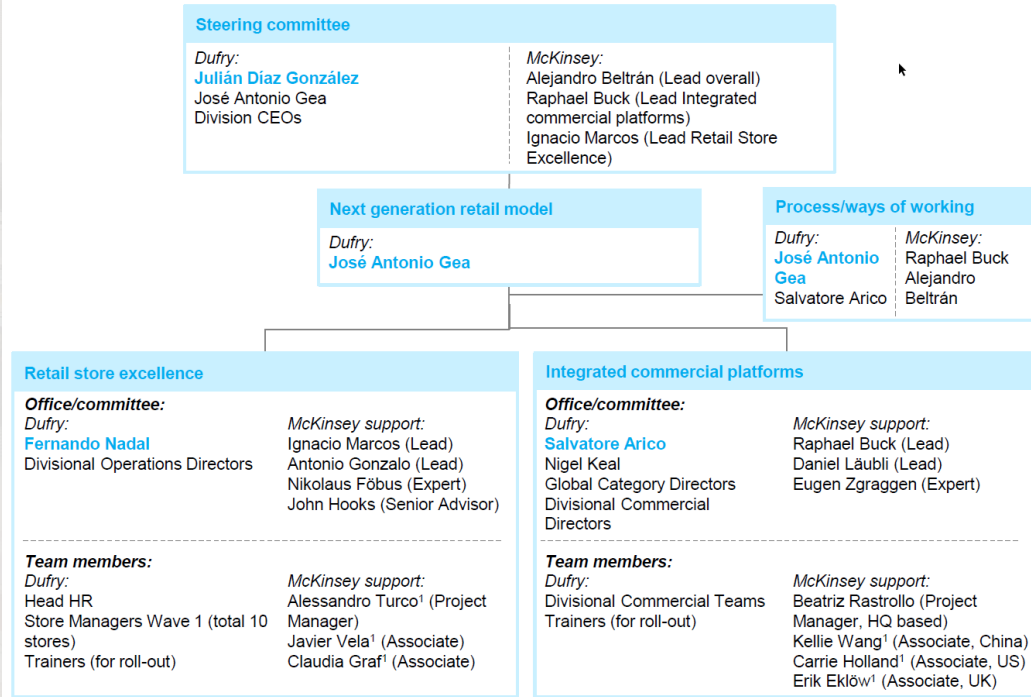
How are we delivering these levers

Phase 3 – Acceleration

We have partnered with McKinsey in order to set up 2 project Offices and a detailed project plan

McKinsey
& Company

Program structure



1 Integrated Platforms closer to the business

Phase 3 – Acceleration

Objective | Drive growth and sustainable profitability enhancement

Buying Executive Committee

Introduce rigid and standardized process for reviewing focus initiatives and implementing lessons learned from a customer centric perspective



Novelties

Introduce novelties to address disadvantages to competitors perceived by customers; decide on scale of roll-out based on financial performance and customer reaction

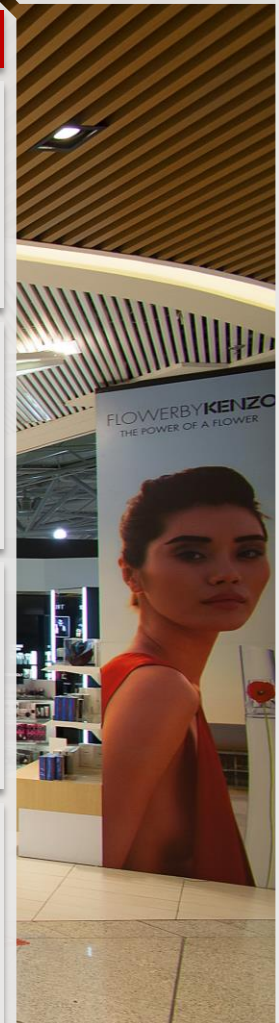


Assortment

Assess current assortment regularly and identify white spots on a sub-category level, taking into account competitive positioning

Promotions

Perform analytics-driven promotional activities to benefit total store revenue in the short term and value for money perception in the long term



1 Integrated Platforms closer to the business

Phase 3 – Acceleration

Objective | Drive growth and sustainable profitability enhancement

Pricing

Execute and improve existing programs (e.g., AAA) & ensure pricing performance review at SKU level with view of price elasticity, competition and margin potential to drive sales and margin

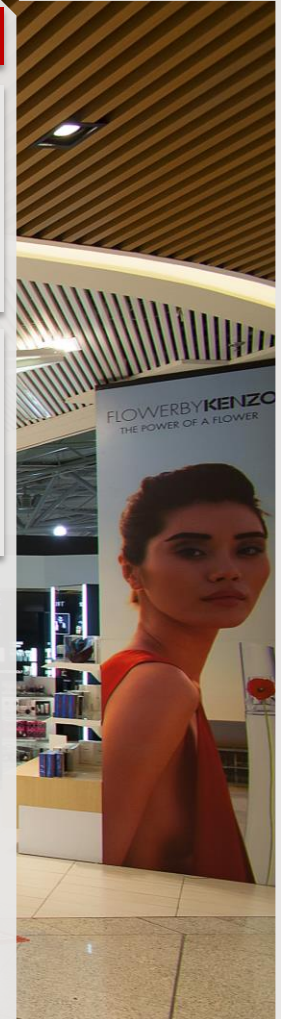
Supply Chain

Optimization of planning through existing tools & secure warehouse-model roll-out across the regions in order minimize stock-outs and working capital

*Agility
&
Flexibility
at scale*

*Keeping the
strength
of the Group*

*One Vision
&
One Plan*

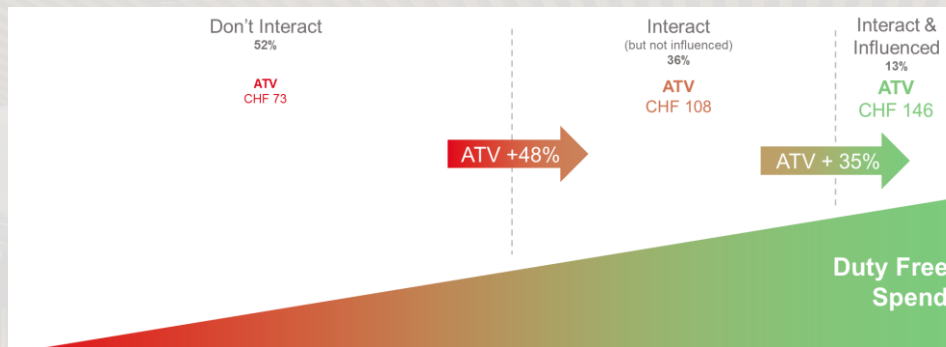


2 Retail Store Excellence

Phase 3 – Acceleration

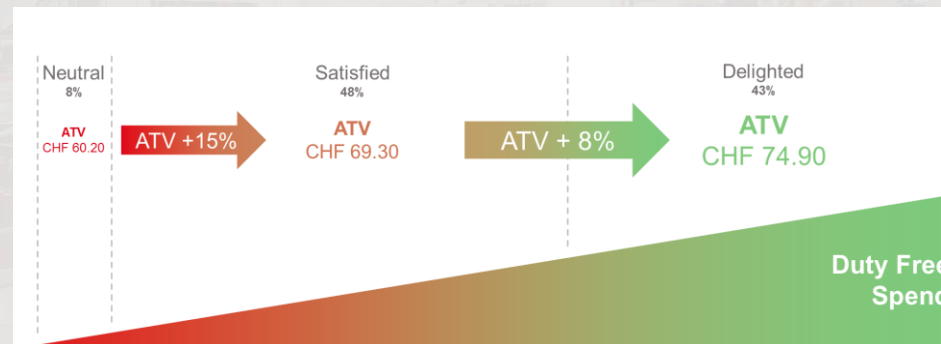
Based on annual surveys conducted in Dufry, we have understood that there is still major potential for us to increase our organic growth

Customer Interaction Drives Sales



When we interact with customers & influence them the ATV is double

& Customer Satisfaction Drives Sales



2 Retail Store Excellence

Phase 3 – Acceleration

Objective | Establish the "Dufry Retail Model" to drive growth in vibrant retail stores

Team



- **Set right level of staffing** through optimized staff scheduling
- **Motivate staff by target setting** and incentives
- **Train team on customer service** and selling capabilities
- **Have store manager act as role model** and participate in sales activities

Communication in store



- **Improve existing communication in store (e.g., full play of seasons)** to drive traffic, excitement and sales in store
- **Increase communication connected with local destinations** to enhance value proposition and differentiation

Second phase of NSG



- **Develop compelling omnichannel offer** and seamless customer experience
- **Deliver unique brand experience** and differentiation from competitors through store design
- **Deploy digital tools and analytics** to optimize store operations (e.g. digital price tags, inventory tracking, check out-less shopping)



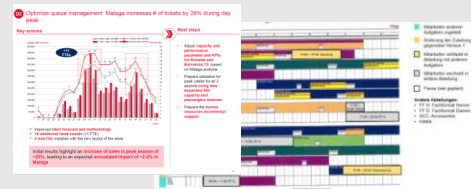
2 Retail Store Excellence - TEAM

Phase 3 – Acceleration

Team

Store organization / Staff scheduling

Activity-based labor scheduling based on time spend analysis, floor areas and target service levels on a per store basis



Target setting and incentives

Establishment of target KPI system on store level providing “fair” KPIs (can be achieved but are ambitious) with high visibility

KPIs performance tracking per airport

| KPI | Target | Actual | Variance |
|-----------------------|---------|---------|----------|
| Revenue | 1000000 | 1050000 | +50000 |
| Profit | 200000 | 210000 | +10000 |
| Customer Satisfaction | 4.5 | 4.6 | +0.1 |
| Staff Productivity | 100 | 105 | +5 |

Customer service and selling capability

Targeted training of store staff on new processes, using e.g. role plays

Verwirklichung des Überbestellsystems

Positionierung Einbahnwegen

Store manager and supervisory role and model

Regular involvement and get-together of top store managers, daily huddles, actively living role model through participation in sale activities

Top Team Alignment Session: Sample agenda for Day 1 (Business)

10:00-10:30: Welcome and Introduction

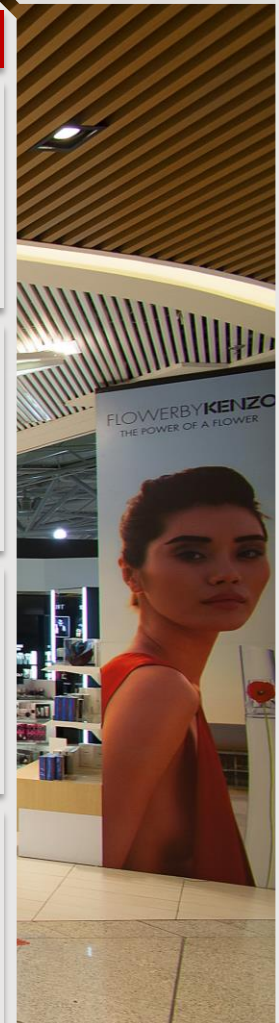
10:30-11:00: Business Review

11:00-11:30: Strategic Planning

11:30-12:00: Lunch

12:00-12:30: Team Building

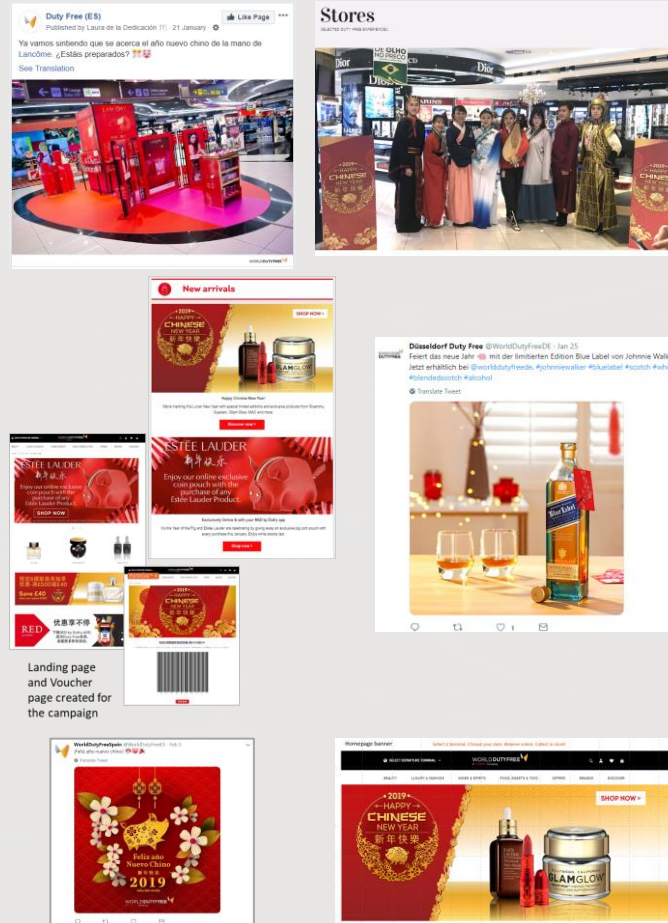
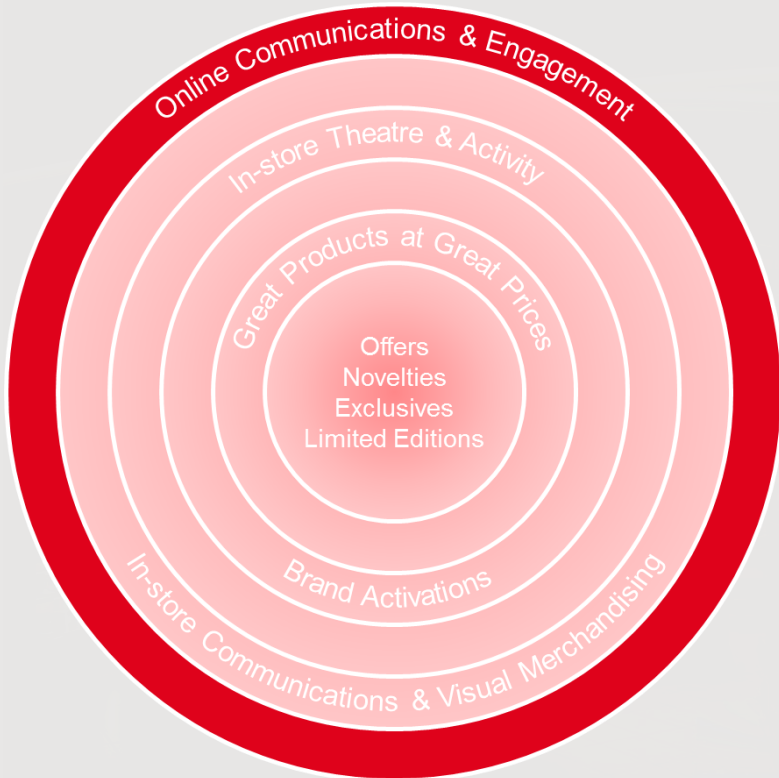
12:30-13:00: Closing Remarks



2 Retail Store Excellence – Communication in store

Phase 3 – Acceleration

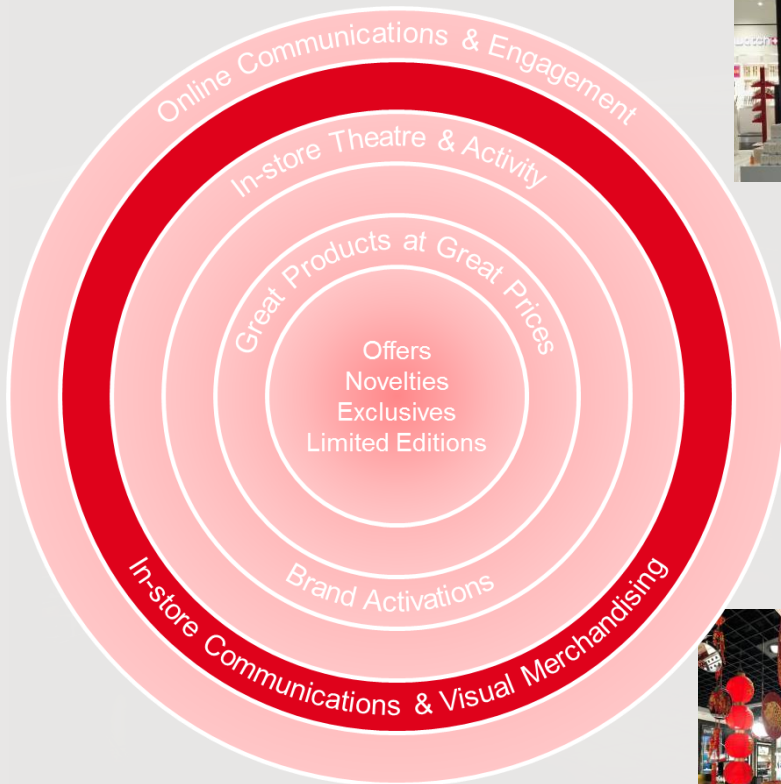
Communication in store



2 Retail Store Excellence – Communication in store

Phase 3 – Acceleration

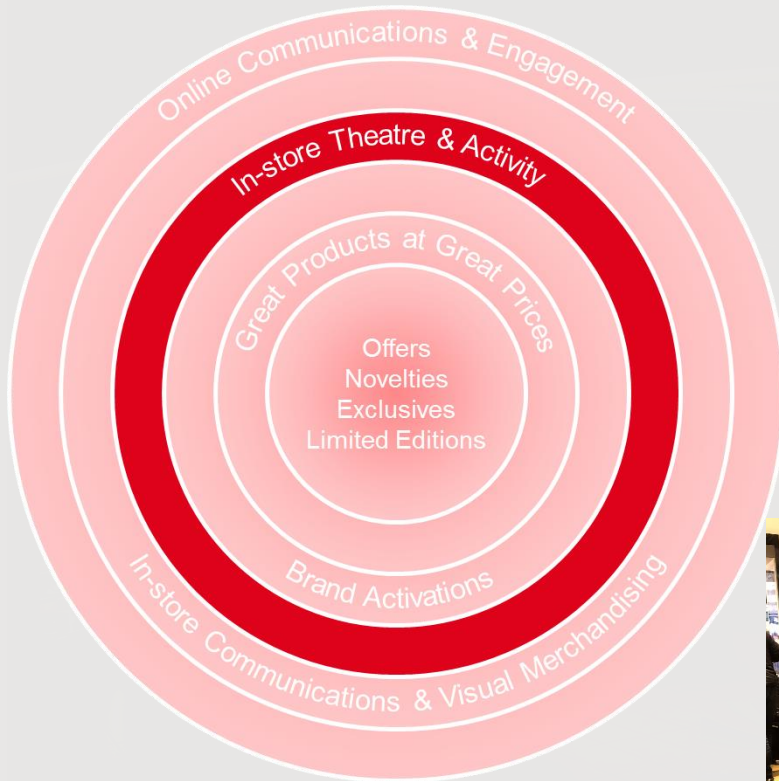
Communication in store



2 Retail Store Excellence – Communication in store

Phase 3 – Acceleration

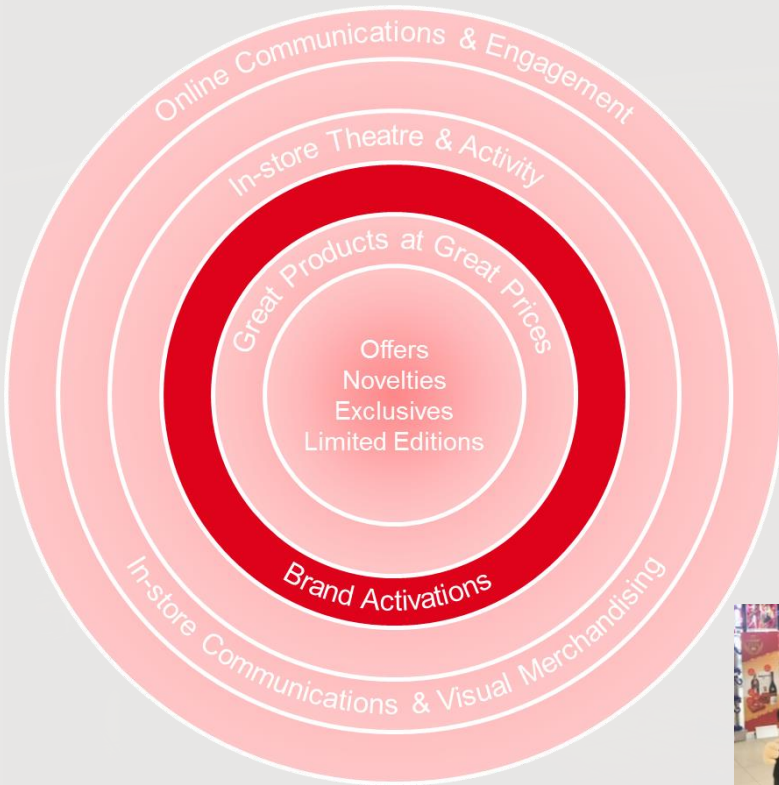
Communication in store



2 Retail Store Excellence – Communication in store

Phase 3 – Acceleration

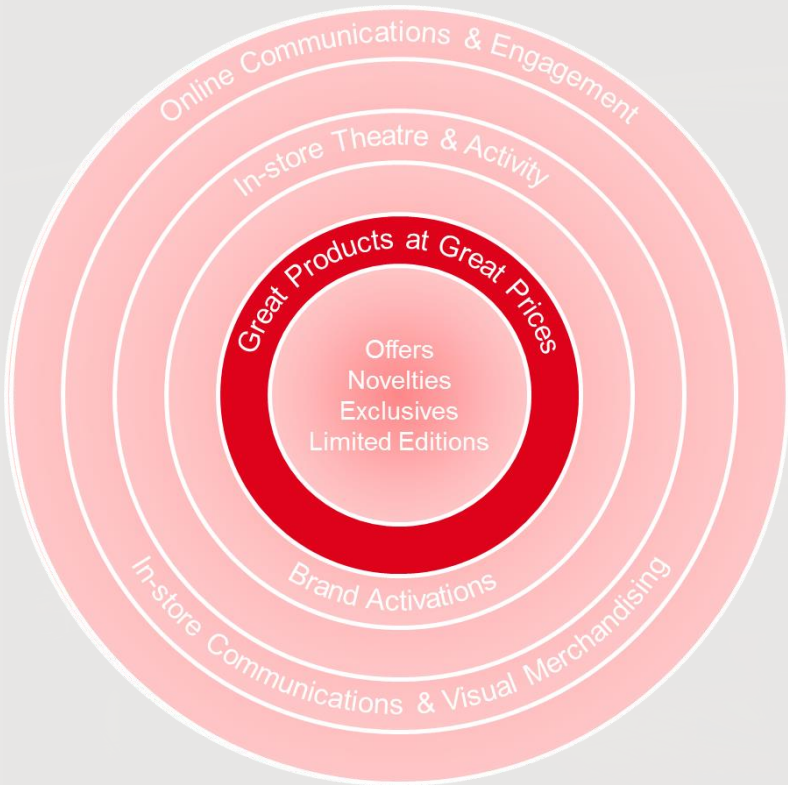
Communication in store



2 Retail Store Excellence – Communication in store

Phase 3 – Acceleration

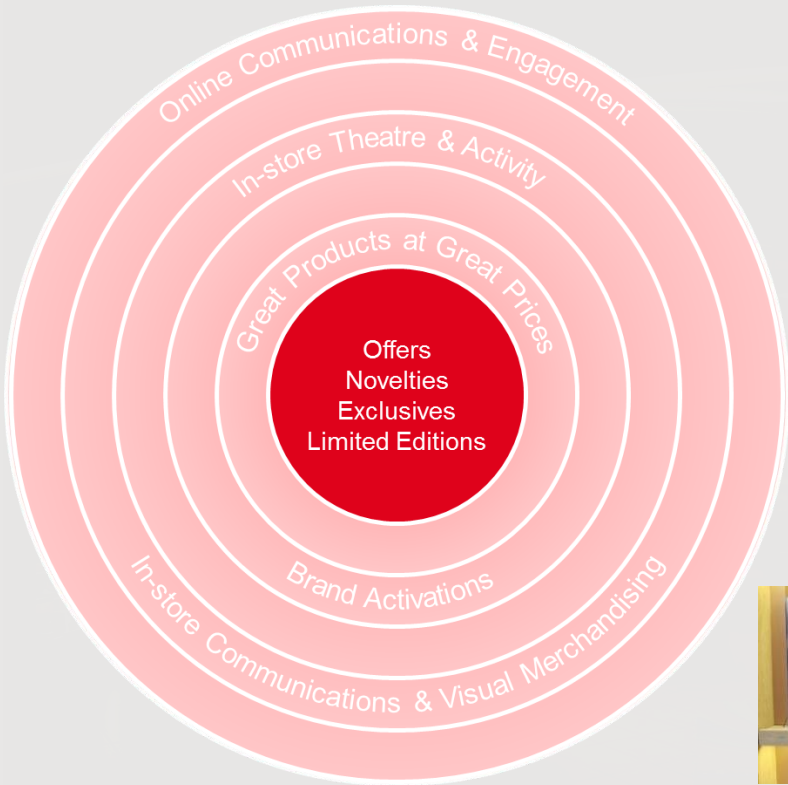
Communication in store



2 Retail Store Excellence – Communication in store

Phase 3 – Acceleration

Communication in store



2 Retail Store Excellence – Second phase of NSG

Phase 3 – Acceleration



Second phase of NSG

Introduce Artificial Intelligence to help customers to better understand our offering



3 Medium and Small acquisitions

Phase 3 – Acceleration

Objective | Grow adding more value

Easy integration

Purchase companies (CHF 200-500M) which can be easily and rapidly integrated into Dufry

Leverage

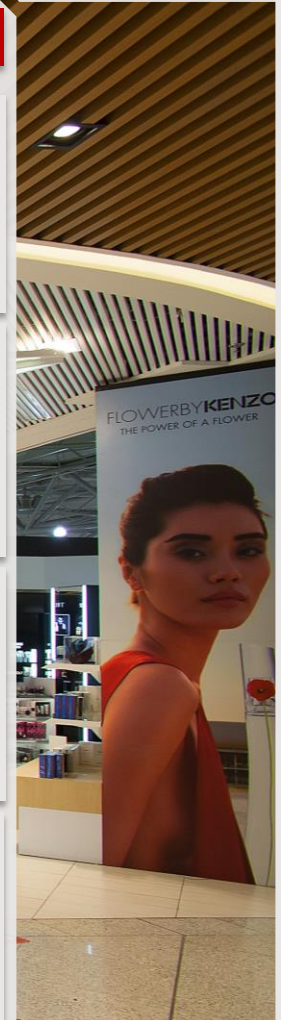
Leverage on the commercial and logistic platforms

Synergies

Deliver further synergies

Diversify

Expand in other channels



4

Expand the Travel Retail market value

Medium/Long Term

Dufry needs to lead the sector to establish the new values of the Travel Retail Market

Phase 3 – Acceleration



Three factors of guaranteed success



Duty Free sector with a high potential for growth



Dufry as a company which has always delivered



A clear and achievable plan to optimize the potential of the business

Dufry Digital

Customer centric, digitally driven

Javier Gonzalez
Zurich, May 2019

 DUFRY



INDEX

1. An outside in perspective
2. Dufry is in a strong position
3. What we have done
4. A strong vision for the future
5. Driving the industry forward



1 MARKET & TRENDS

Markets & Trends

Travel retail as an industry is offering a strong opportunity for growth, driven by an ensured & captive premium audience

Travel Retail expected to grow around 6% annually over the next 3 years

6%

CAGR 18-21



One of the fastest growing physical retail channels



Unrivalled worldwide window display to promote brands

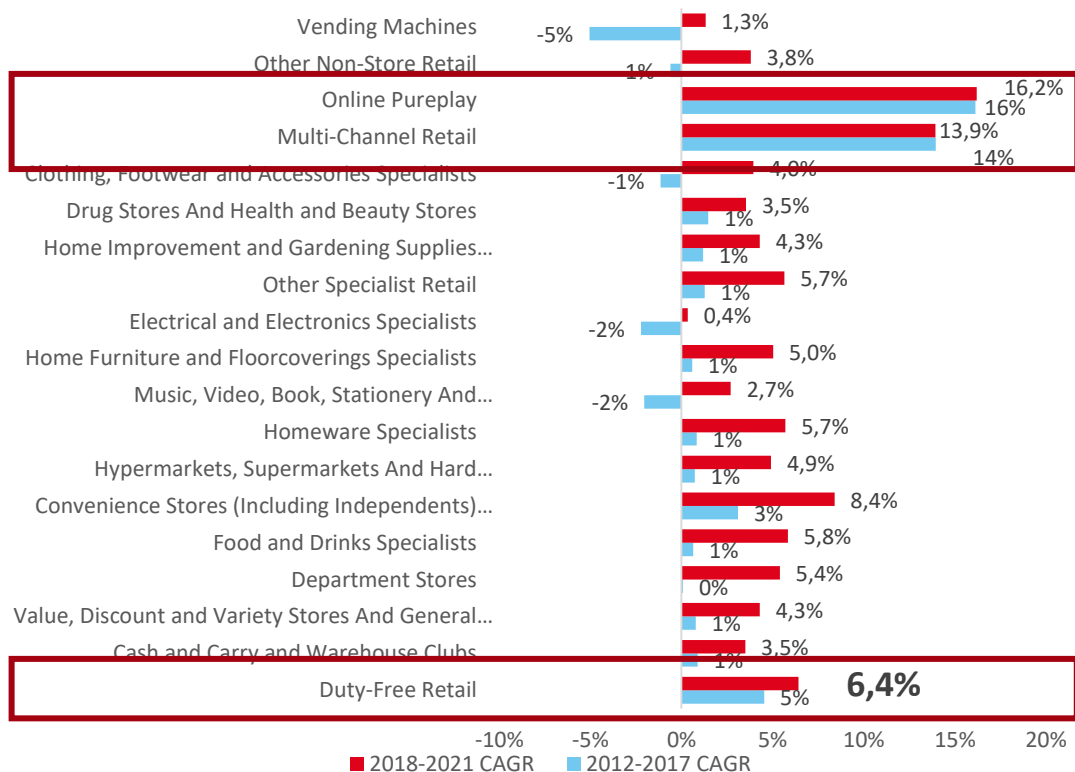


Strong growth in traffic on a global basis - passengers expected to nearly double in the next decade



Ensured, captive and premium audience

Travel Retail, convenience and online is driving growth and expected to gain market share compared to overall global retail sales



Opportunity to enhance awareness and enhance omni-channel capabilities with digital tools

SOURCE: GLOBAL DATA

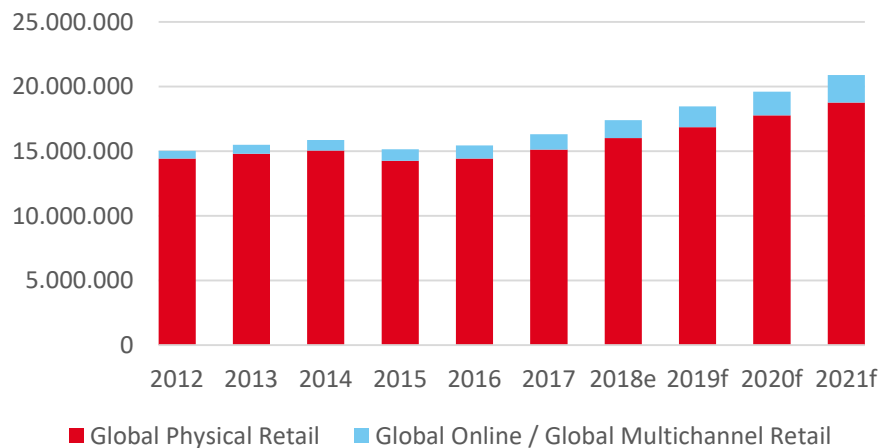
Markets & Trends

Online share continuing to grow on a global basis, but with a lower maturity level in Travel Retail

Online is taking 10% of global retail sales in 2021

Online maturity levels in Travel Retail will be lower

Global Retail Sales 2012-2021 - Physical and Online
(est. CAGR 3,73 % 2012-2021)

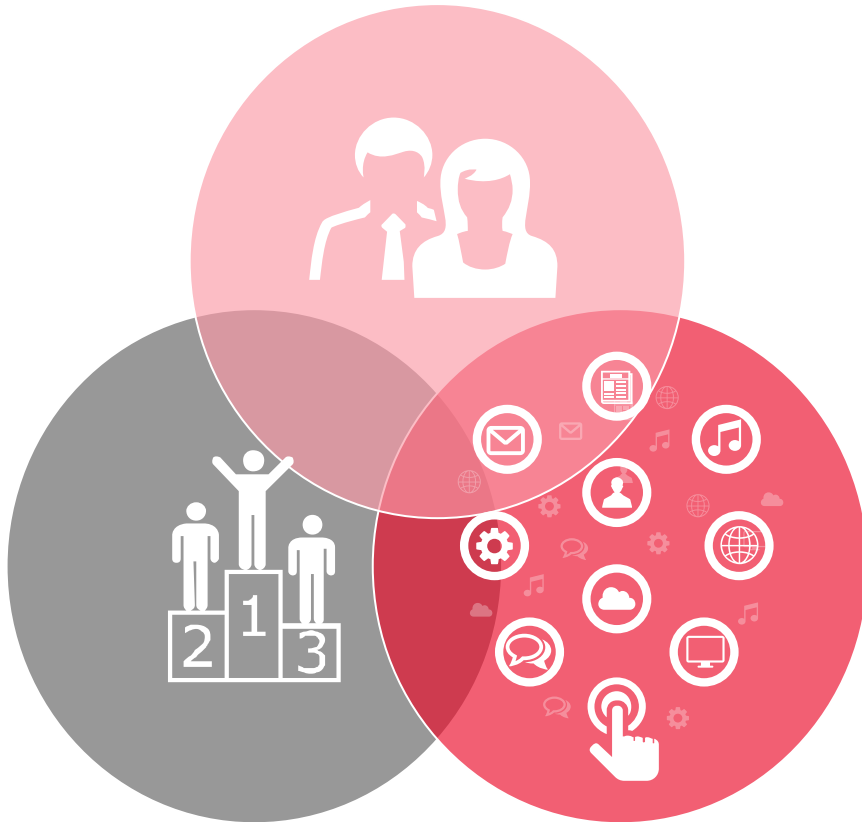


- Travel Retail growth to be supported by stronger Duty free online presence
- However - Travel Retail is driven by:
 - strong impulse purchase
 - low impact of e-commerce in TR core categories
- In addition online payment and alternative delivery methods is limited in most markets
- **Why the online market maturity in Travel Retail will be lower than domestic online retail**

SOURCE: GLOBAL DATA

Markets & Trends

Despite a lower maturity within Travel Retail, customers are taking behaviors that they are used to in the domestic markets to Travel Retail...



Changing consumer behaviors

Consumers shop differently, with higher expectations through digitally influenced customer journeys

Channel shifts

Retailers have to adapt to new consumer behaviors and provide them the best customer experience both in online and offline channels

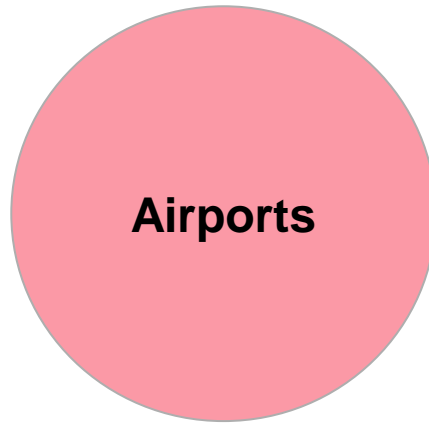
Dynamic competitive landscape

Retailers need to be relevant in a omni-channel context, offering convenience and simplicity to the customers

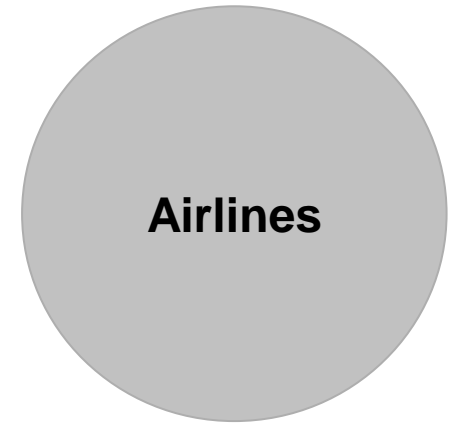
...transforming also the business models of brands, airports and airlines



Fewer physical touch points to build brand relations and loyalty



Need for more integrated, seamless customer journey



Focus on increasing ancillary revenues and creating better end to end experiences

Opportunity to add value throughout the eco-system and improve the overall customer journey with the help of digital tools

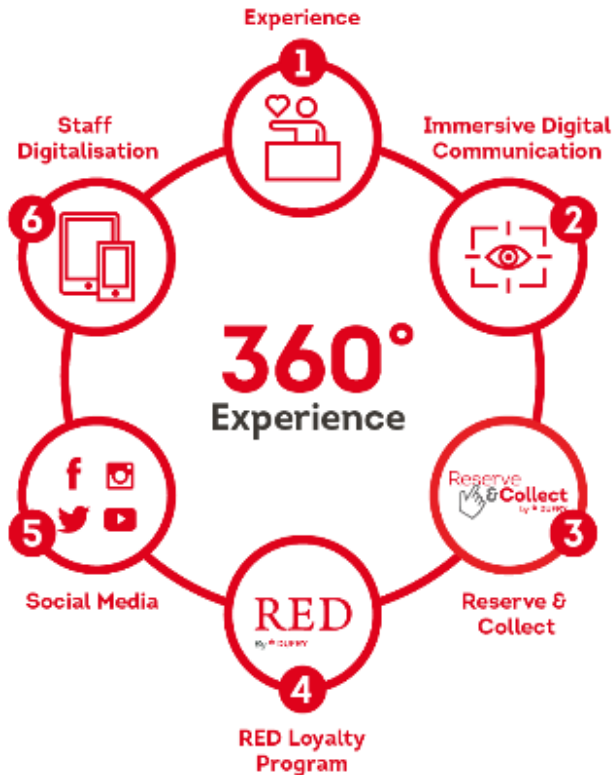


**2 DUFY'S POSITION IS
STRONG**

Our position is strong

Over the past 2 years Dufry has built a strong digital foundation

E-motion program:



A strong digital foundation:

An ecosystem of tools and services that create a consistent multichannel experience

Scalable technology backbone available globally






The largest travel retail database in the world

A platform for partnerships and innovation

In sum it creates a foundation for Digital to be a key part of Dufry's future growth strategy

Our position is strong

E-motion has a global impact in almost every part of the business

| | YTD Status | Key Outcome |
|---|---|---|
|  | 10 Next Generation Stores Implemented | Double digit growth (2018, share 7% of sales) >400 brand campaigns with multichannel touch points |
|  | 160+ airports | 5X the ATV of the group and 60% growth |
|  | 200+ Airports | Identified sales represent 4% of sales |
|  | The FORUM live with dynamic content | >80 brand collaborations |
|  | 31 countries across 70 selected shops | >100 000 customer interactions |
| TECH | One global product information management system & one global media center | Global efficiencies and execution capabilities |
| OTHER | Global training and adoption | >20K employees trained |
| | Eco-system of suppliers and partnerships | >30 new partners delivering our digital vision |

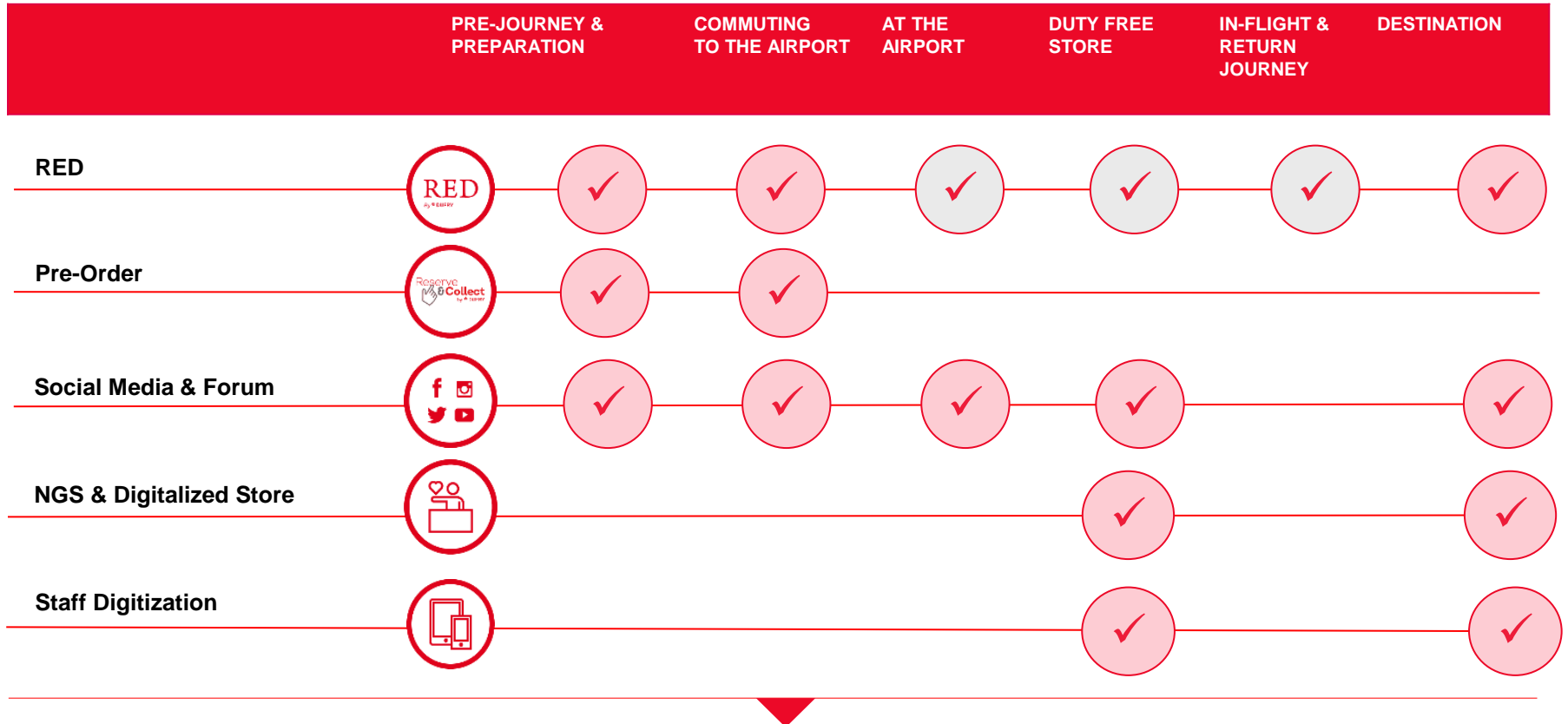


3 WHAT WE'VE DONE

What we've done

E-motion - putting the customer in the centre and making Dufry a natural part of each step in the journey focusing on delivering 5 key initiatives...

E-motion in the Customer Journey:

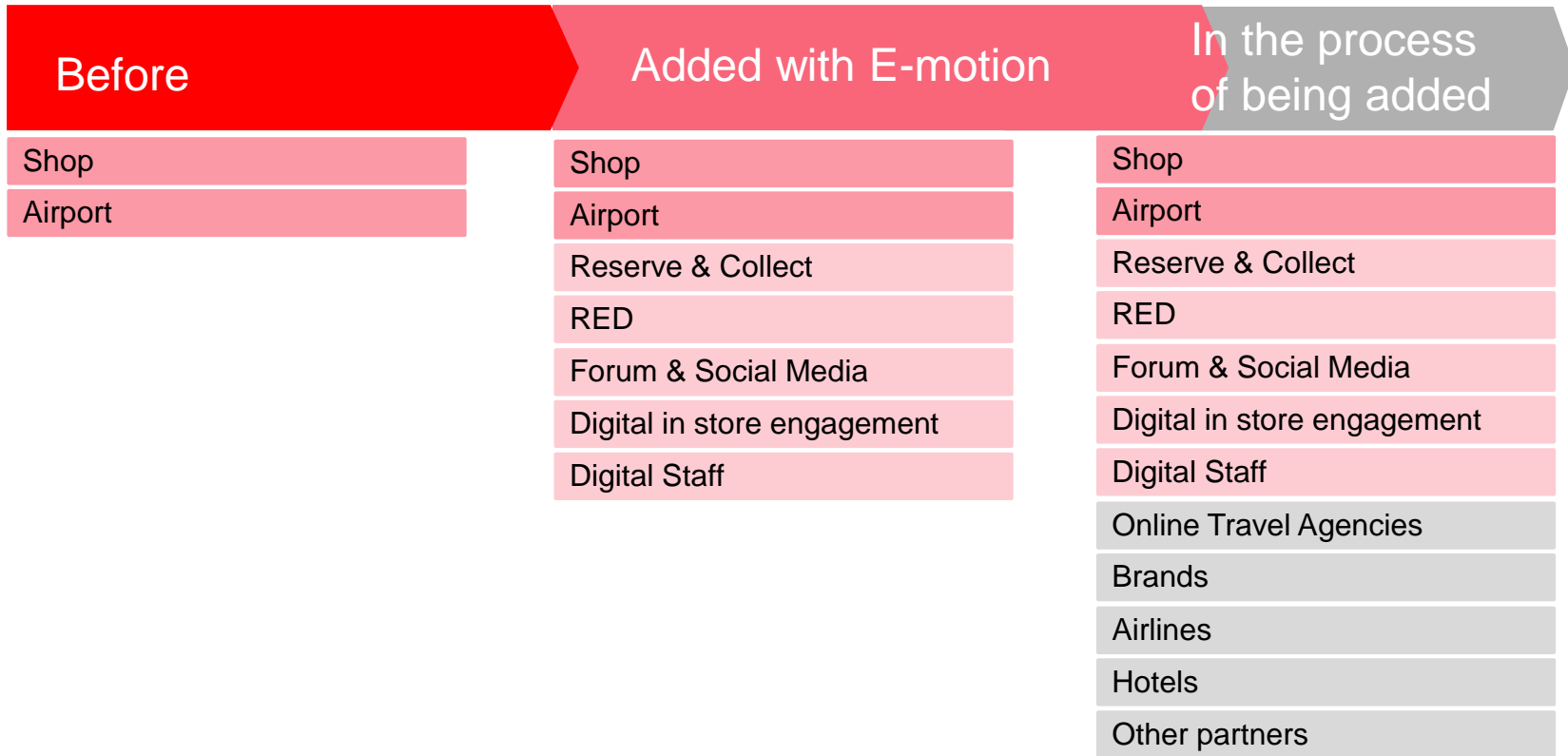


E-motion now serves as the commercial foundation for digital in Dufry - available globally, with continuous development of new features and capabilities

What we've done


... the ambition is to continue to expand the number of touch points together with new partners

Customer touchpoints:



With evolving customer touch points, Dufry will continue to become an integrated part of the travelers journey

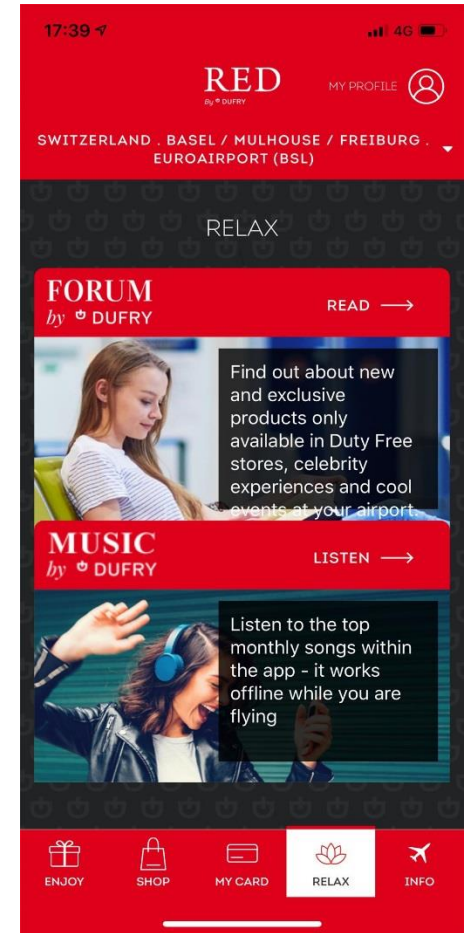
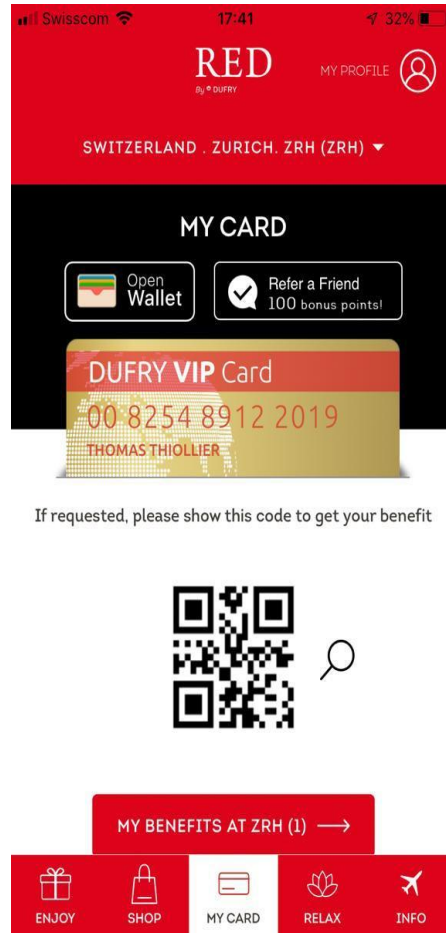
What we've done

 RED & CRM is becoming an important part of the business, 4% of sales now have identified customer information, giving us valuable insight for the future (1)

What:

- From transaction oriented to **personalized shopping experience**
- Targeted at **frequent flyers** providing **special benefits in Dufry stores**
- **Airport, Brand and Airline** related **benefits**
- **Seamless services for travellers:** Flight data & Allowances, Music and Relaxation

Example:



What we've done



RED & CRM is becoming an important part of the business, 4% of sales now have identified customer information, giving us valuable insight for the future (2)

What we have done:

2018

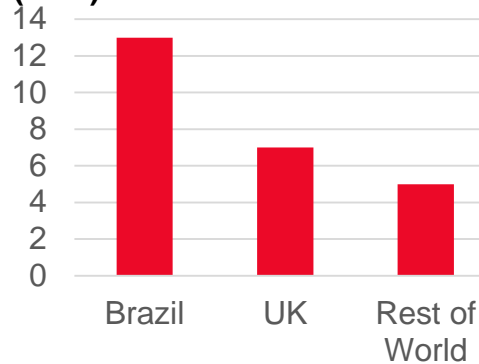
- Ensuring identified sales at over **208 airports**
- Available in locations covering **95% of sales**

2019

- Ambition *to reach more than 5m registered customers by year end*

Key outcome:

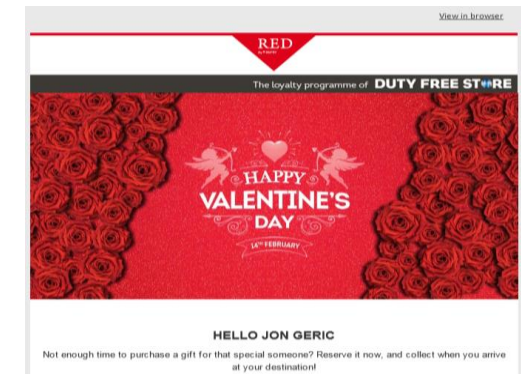
Share of Identified sales (in %)



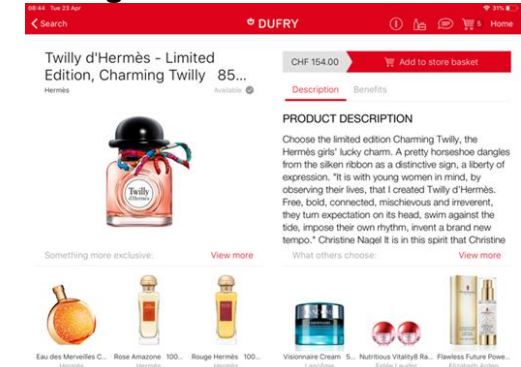
Average ticket value RED members vs. group

 **X3.1**

Personalized Communication Digital / Newsletters / Push



Personalized store experience through sales tablet



What we've done

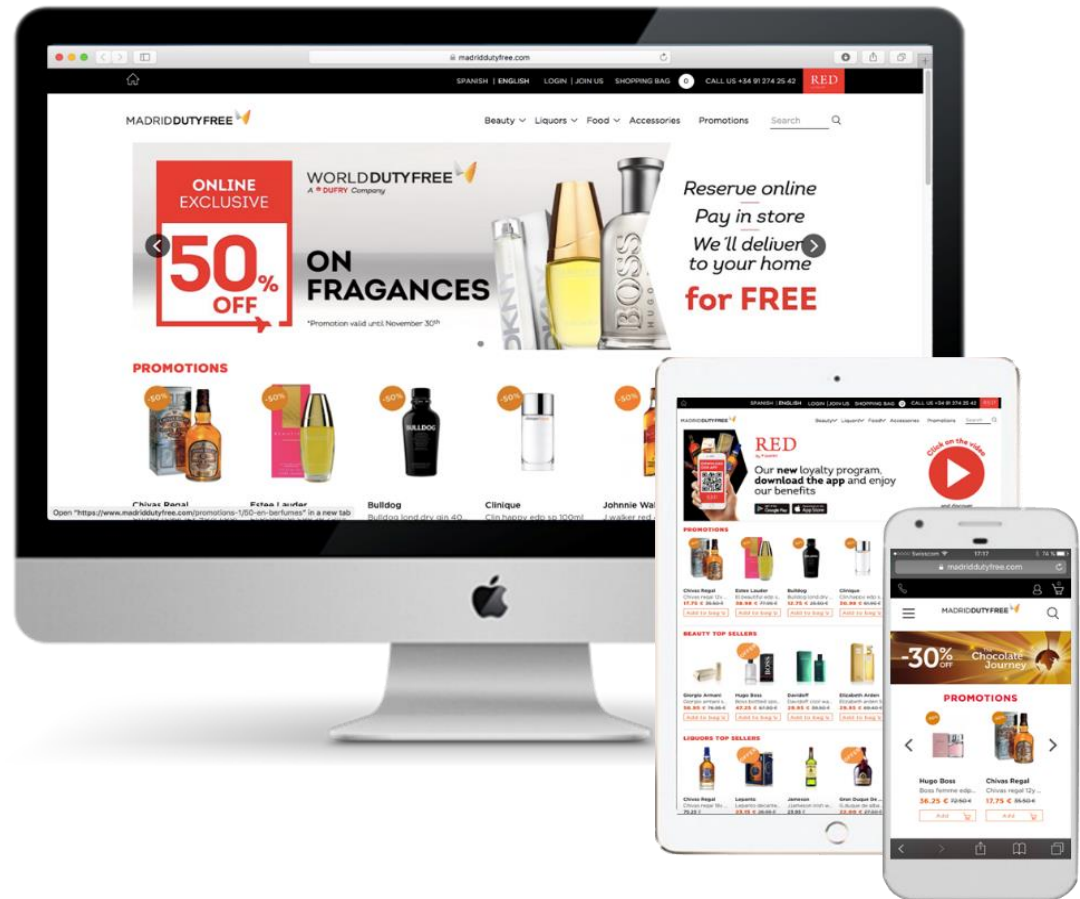


The Reserve & Collect service is now available in airports covering more than 90% of Dufry sales – a global service in strong momentum (1)

What:

- Aimed at **inspiring the passenger** early in their journey and **increase touch points & exposure time**
- Drive a **convenient, connected consumer journey** and that **saves time and ensures product availability**

Example:



What we've done



The Reserve & Collect service is now available in airports covering more than 90% of Dufry sales – a global service in strong momentum (2)

What we have done:

2018

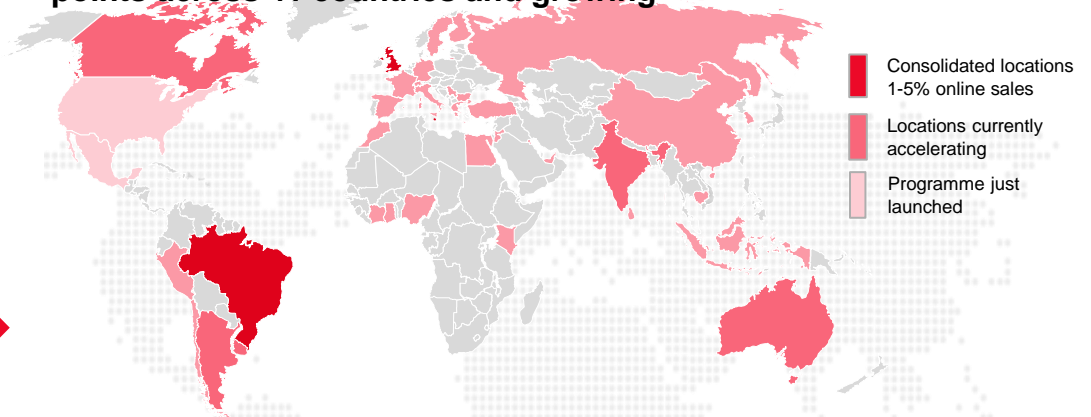
- Available in more than **160 locations** with **one** common technology
- Delivering **5X ATV**
- **One global product information system** feeding all digital tools

2019

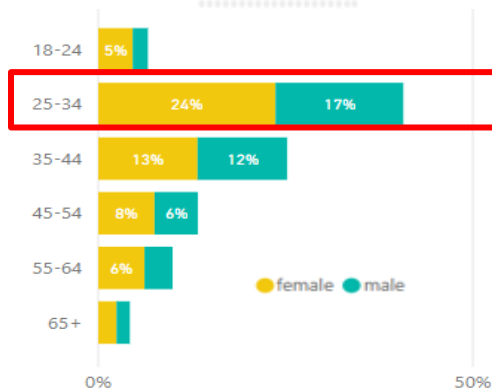
- **Accelerating online growth** showing **50-60% YoY growth**
- Partner API to boost growth through other channels and alliances
- Marketing automation & AI

Key outcome:

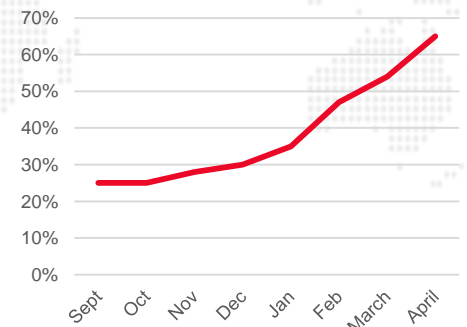
Service available in more than 160 airports, with over 200 collection points across 41 countries and growing



Key channel for millennials



YOY growth



What we've done



Next Generation Store is driving organic growth and providing us with valuable insights to drive store digitalization across the Dufry universe

What:

- **Engaging** with our **customers** throughout the **whole shopping process** and make them **feel special**
 - Entertainment & Fun
 - Attractiveness & Glamour
 - Multi-channel execution
- Delivered through:
 - Exceptional **brand experiences**
 - **Immersive & Personalized digital communication**
 - **Deep, actionable insights**

Example:



Key Outcome:

- **10 Next Generation Stores** implemented across 3 divisions
- **40 additional highly digitalized** shops
- **One** global media control center based in Madrid

What we've done

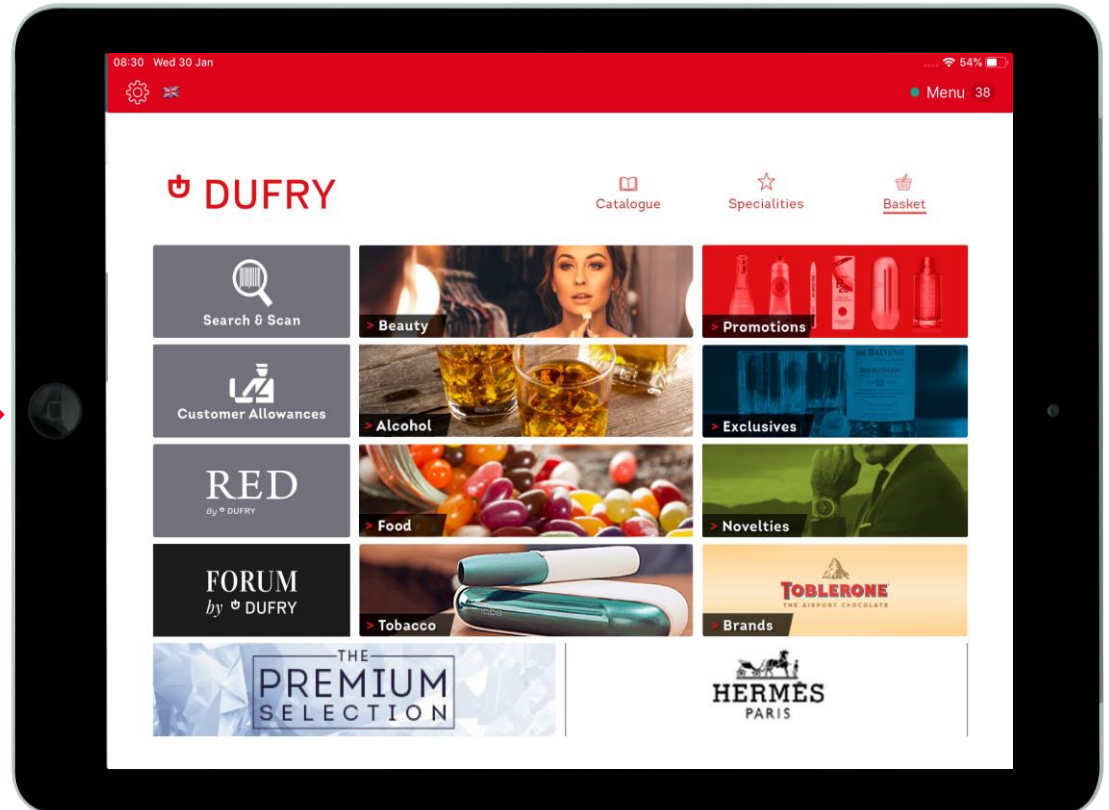


The Sales Tablet is in early phase, closing the knowledge gap between experienced workers and new comers, facilitating a better customer dialogue (1)

What:

- Designed to **empower staff** to act as a **product advisors & Increase customer engagement**
- **Educate customers** with valuable product data in multiple languages
- Activate **cross selling** and **up selling**
- As well as enabling **efficient global execution, transferring and sharing knowledge**

Example:



What we've done



The Sales Tablet is in early phase, closing the knowledge gap between experienced workers and new comers, facilitating a better customer dialogue (2)

What we have done:

2018

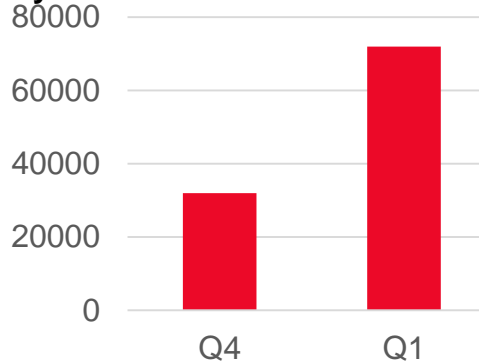
- Empowering staff through a commercial digital sales tool
- Implemented in **70 prioritized shops**, representing **3 bn in sales**
- More than **100 000 customer interactions** (q4 18 and Q1 19)

2019

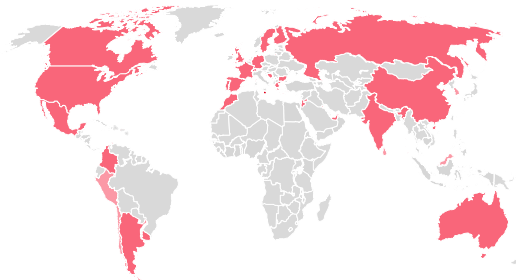
- Roll out – **new destinations & payment feature**
- New features: **Daily tasks & Targets, E-learning, clienteling** and much more

Key outcome:

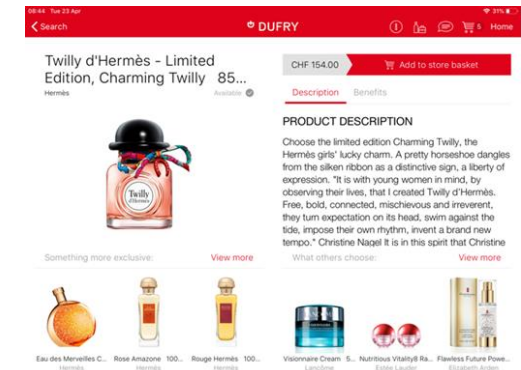
No. of customers aided by sales tablet



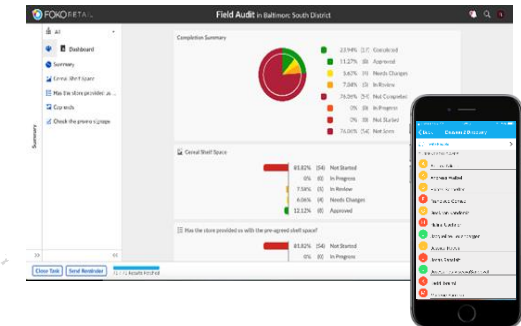
Available in more than 30 countries



Up Sell & Cross sell recommendations



Digital task lists & operations management in pilot



What we've done

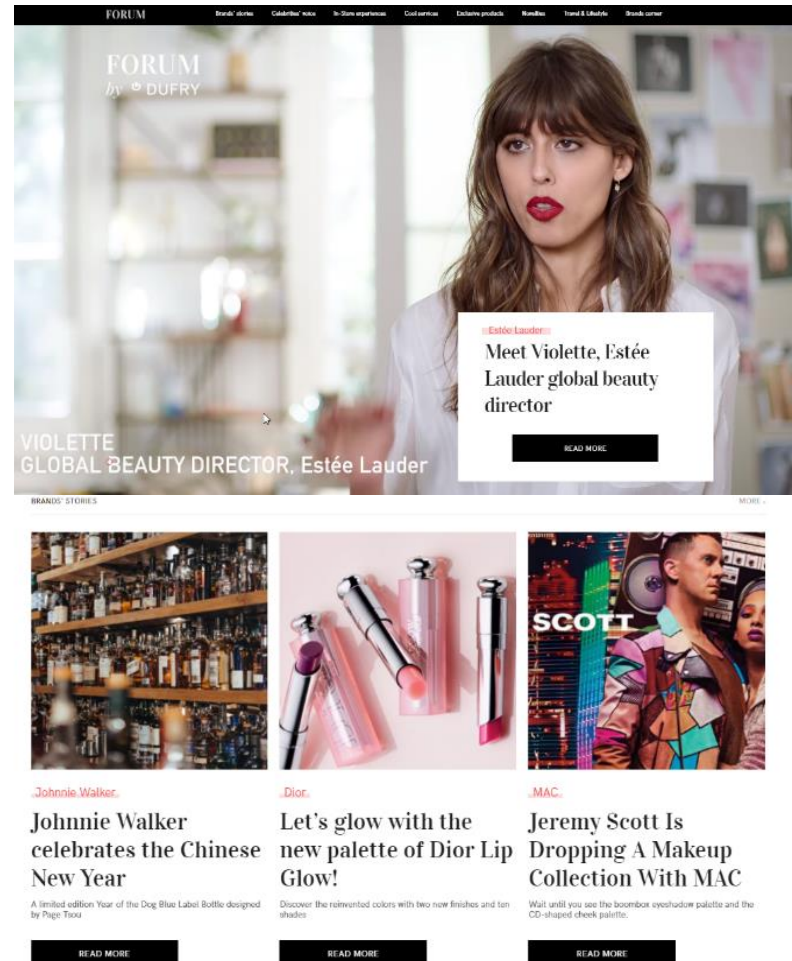


With FORUM we have build the first customer centric platform, where brands can provide engaging brand stories targeting traveling consumers (1)

What:

- A dynamic platform for **Brands, Influencers and Celebrities** to publish **aspirational content & Brand stories** targeting travellers and consumers

Example:



What we've done



With FORUM we have build the first customer centric platform, where brands can provide engaging brand stories targeting traveling consumers (2)

What we have done:

2018

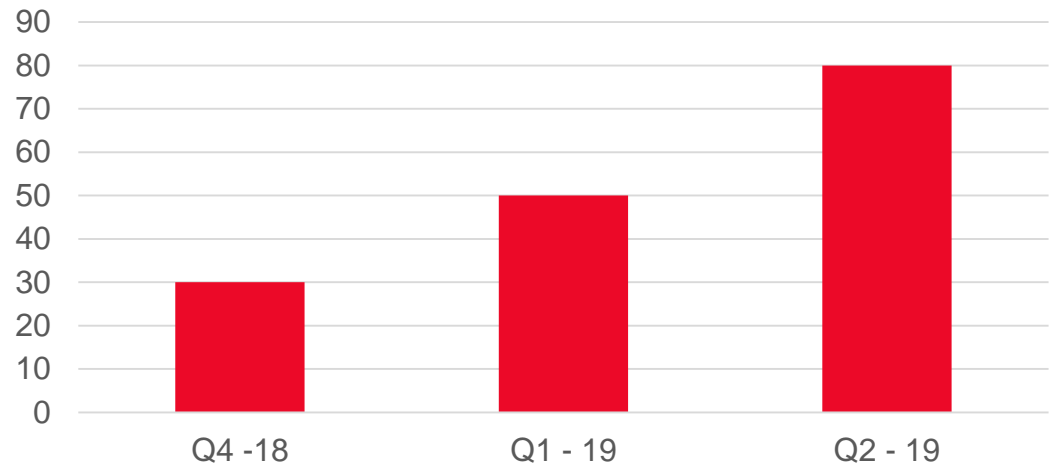
- Launch of FORUM by Dufry in July 2018

2019

- More than **80 featured brands**
- Available in English, Spanish, Portuguese and Chinese
- Drive **celebrity and influencer driven campaigns**
- Social Media & FORUM reach **more than 2 million monthly impressions**

Key outcome:

Brand collabortation (No. of featured brands)





**4 A STRONG VISION FOR THE
FUTURE**

A STRONG VISION

The Dufry platform will continue to evolve, building upon the capabilities and assets that has been built over the past 2 years

VISION

“ Create a **customer-centric shopping experience** articulated around a **digital platform** that **connects all** relevant **stakeholders** to offer Dufry’s assortment enhanced with unique experiences and exclusive products to the **traveler** consistently **across all traveling channels** ”

Core Assets

Global shop network

Global sourcing and supply chain

House of brands

Digital Assets

Global Technology foundation

E-motion: Multichannel

Data assets

What we are building

Innovation

Partnerships

Advanced Analytics & AI

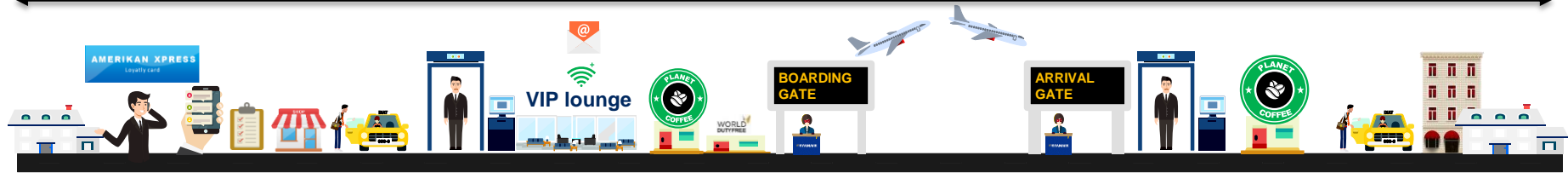
Digital Culture

Industry Mobilization

A STRONG VISION

The past 12 months we are actively working on partnerships to strengthen multichannel presence in order to simplify the travelers journey

Connected Customer Journey:

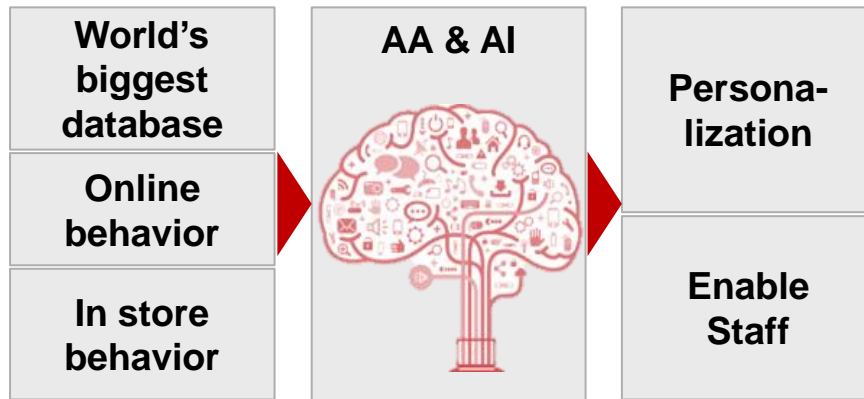


| | Airports | Leading Online Travel Agencies & Airlines |
|---|--|--|
| Objective / Aim | <ul style="list-style-type: none">Enhance seamless customer journey and convenient shopping | <ul style="list-style-type: none">Take an active part in pre-journey inspiration and decision making, while integrating great retail offering throughout the customer journey |
| Selected Examples of initiatives | <ul style="list-style-type: none">Joint digital platforms developments & integration of new services in direct collaboration with airportsReserve & Collect acceleration program | <ul style="list-style-type: none">Innovation programs & targeted offerings to identified customersExploring new business & income modelsDigital pre-order and inflight sales model with delivery on the ground |

A STRONG VISION

...we are working actively to deploy AI-powered tools and to form new collaborations that will drive innovation across the consumer journey

Advanced Analytics & the use of Artificial Intelligence:



- Data driven decisions & improvement
- Drive sales growth and efficiencies in physical stores
- Drive better recommendations & personalization
- Drive conversion and sales growth online through real time usage of CRM

Partnerships & Initiatives with Universities, Incubators & Brands:



- Ongoing initiatives with leading universities and business schools in Europe, to be expanded to Asia and USA
- Global technology partnership with Telefonica to stay at the forefront of retail technologies
- McKinsey Digital partnership to drive online performance
- Setting up a global test & launch platform for brand driven innovation



6 IN SUMMARY
DRIVING THE INDUSTRY FORWARD

In summary

- Digital offers great opportunity for dufry
- We have built the foundation of a multichannel digital platform, that have made impact in almost every part of the organization
- Digital is starting to become an important part of the business and a strong differentiator with customers, airlines and partner eco-system
- We continue to take active steps to drive the digitalization of the industry
- We continue to increase the level of customer centricity in everything we do, utilizing our combined assets to provide better customer offerings and services



Dufry Day

IFRS 16: Bridging the gap

Yves Gerster
CFO
May 15, 2019

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Information in this presentation may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to Dufry AG (the “Company”) as of the date of this release, and we assume no duty to update any such forward-looking statements. Factors that could affect the Company’s forward-looking statements include, among other things: global GDP trends, competition in the markets in which the Company operates, unfavorable changes in airline passenger traffic, unfavorable changes in taxation and restrictions on the duty-free sale in countries where the company operates.

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AGENDA

1. IFRS 16 introduction and overview

2. KPIs

3. Q1 2019 results

1

IFRS 16 introduction and impacts in the financials

IFRS 16 - Introduction

- **Adopted new standard as of Jan 2019**
 - No restatement of 2018 accounts
- **New standard has significant impact on the presentation of the Financials**
 - Brings leases to the balance sheet
 - Alignment of KPIs
- **No economic impact on Dufry**
 - No impact on the way we run the business
 - No change in cash flow

IFRS 16 - Introduction

1

Balance Sheet

- Leases brought to Balance Sheet as a **Lease Liability** and a **Right of Use Asset**
- Lease Liability is the present value of future unavoidable lease payments (in case of Dufry fix MAGs)
- **Discount rate** on a contract by contract basis. Depends on start date, term and currency and is fixed at the beginning for the entire lifetime of the concession
- At inception, Right of Use equals Lease Liability. Varies over time due to different accounting treatment

2

P&L

- Former concession fees, which was part of selling expenses, is replaced by **Lease Expenses** and **Depreciation Right of Use**
- Additional effect on Financial Result, Deferred Taxes

3

Cash Flow

- Cash flow least affected by IFRS 16
- Change in the presentation of the cash flow, with a reduction of the operating cash flow and with a corresponding increase in the cash flow from financing activities

1 IFRS 16 - Balance Sheet

- Recognition of a Lease Liability and Right of Use Asset on the balance Sheet
- Measurement

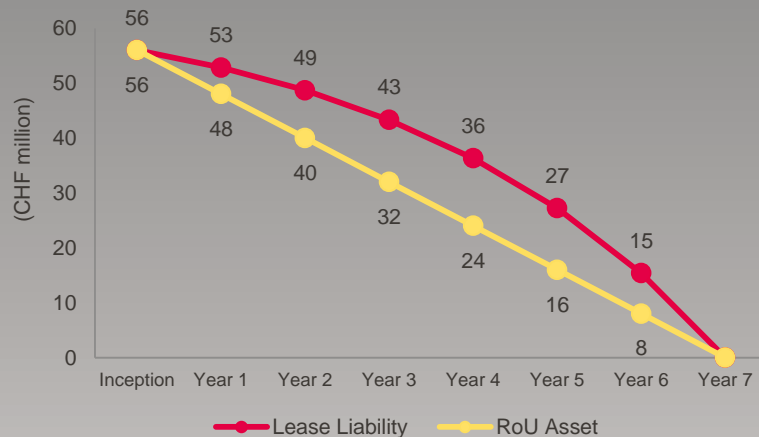
| Right of Use Asset (RoU) |
|--|
| <ul style="list-style-type: none"> • Equals Lease Liability at inception of any concession • Straight-line depreciation over duration of contract • Subject to impairment tests |

| Lease Liability (LL) |
|---|
| <ul style="list-style-type: none"> • Present value of the unavoidable future lease payments • Individual calculation by agreement • Subsequently measured at amortized costs |

| Relevant aspects for calculation of RoU / LL | |
|--|--|
| Term | <ul style="list-style-type: none"> • Duration of the contract |
| Concession fee | <ul style="list-style-type: none"> • In a typical concession contact, Dufry pays the higher of <ul style="list-style-type: none"> • A concession fee measured as a percentage of sales • A Minimum Annual Guarantee (MAG) • Only MAGs that are “reasonably forecastable” are capitalized (e.g., fixed MAGs) |
| Discount rate | <ul style="list-style-type: none"> • Dufry defines a unique discount rate for each concession agreement • Discount rate depends on location of the contract, start date and duration • Dufry applies the incremental borrowing rate |

1 IFRS 16 - Balance Sheet

Illustrative Example

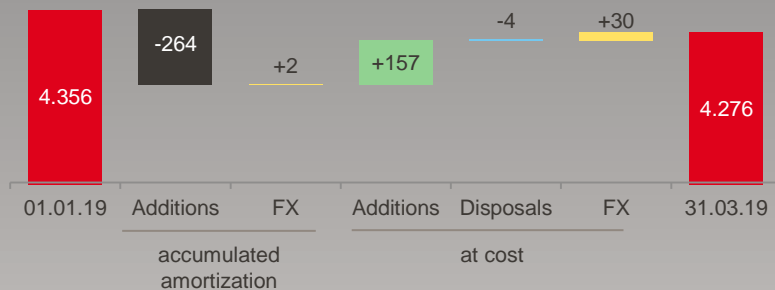


The values of RoU and LL are the same at the inception of the contract, but evolve differently, due to the different accounting treatment

- Right of Use is depreciated linearly over the lifetime of the contract
- Lease Liability always based on future MAGs * discount rate
- Consequently, the carrying amount of Lease Liabilities will always be higher than the Right of Use

1 IFRS 16 - Balance Sheet

Right of Use Movement Schedule Q1 2019



Lease Liabilities movement schedule Q1 2019



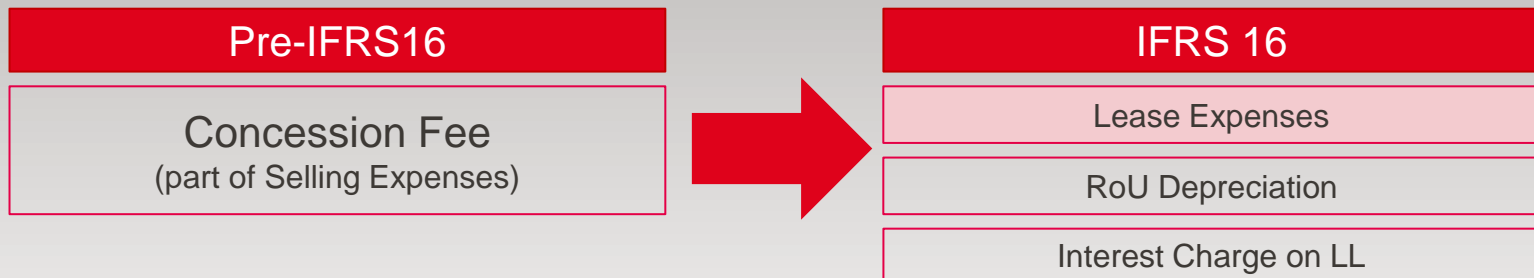
- Movements of RoU and LL are detailed in in note 11 and 13 of the Financial Report Q1 2019
- Due to the ongoing nature of the business, the amortization/repayment is largely compensated by additions (new concessions signed or renewed)

1 IFRS 16 - Balance Sheet Conclusion

- Capitalization is no indicator for business performance
 - Contracts with very different shape and risk profile may have a similar impact on the balance sheet
 - Dufry seeks for long term contracts
 - MAG no indicator for quality or profitability of contract
 - Discount rate depends on start date, duration and economic environment
- Renewal and extension of contracts lead to volatility on balance sheet

2 IFRS 16 - P&L

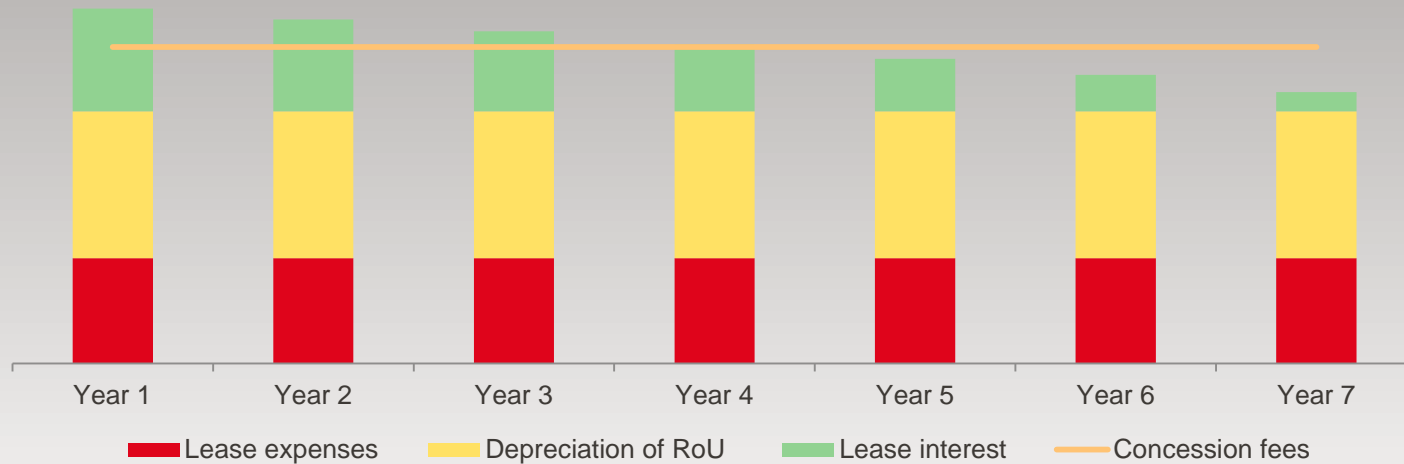
- Previous concession fees replaced by
 - Lease expenses
 - Depreciation right of use asset (straight-lined)
 - Interest charge on Lease Liability
- Dufry specific structure of the concession contracts leads to changes in the P&L that may differ from others
 - Only fixed payments are capitalized and subsequently depreciated
 - The variable part continue to be reflected as Lease Expenses
- Additionally, there are some effects on deferred Tax, FX result



2 IFRS 16 - P&L Front-Loading Effect

- The combination of straight-line amortization of RoU and the interest applied to the lease liability results in a decreasing P&L effect throughout the lease term
- Over the lifetime, the total charge to the P&L remains the same
- Cash paid remains the same in any given period and also over the lifetime of the concession

Front-loading effect – Illustrative example



2 IFRS 16 - P&L Conclusion

- The difference between the results in the P&L pre and post-IFRS 16 are essentially due to the following aspects:
 1. Time-value of money
 - Assets (and liabilities) are based on NPV calculation
 2. Straightline depreciation of assets
 3. Deferred tax effect on timing differences
- Over the lifetime of a contract, the overall P&L effects are identical, but there are timing differences during the lifetime

3 IFRS 16 – Cash Flow Statement

| (CHF million) | 2018 | 2018 |
|--|--------------|----------------|
| | pre-IFRS 16 | post-IFRS 16 |
| Adjusted operating profit (adjusted EBIT) | 678.8 | 730.9 |
| Depreciation, amortization and impairment | 264.5 | 1,228.9 |
| Other items | 24.1 | 24.1 |
| Cash flow before working capital changes | 967.4 | 1,983.8 |
| Lease payments, net | | -1,004.0 |
| Adjusted operating cash flow | 967.4 | 979.8 |
| Changes in NWC | -4.1 | -4.1 |
| Income tax paid | -132.8 | -132.8 |
| Capex | -251.1 | -251.1 |
| Interest received | 29.5 | 29.5 |
| Free Cash Flow | 608.9 | 621.3 |
| Interest paid | -169.9 | -169.9 |
| Cash flows related to minorities | -64.2 | -64.2 |
| Other financing items | -4.0 | -16.4 |
| Equity Free Cash Flow | 370.8 | 370.8 |
| Net proceeds from Hudson IPO | 665.2 | 665.2 |
| Net purchase of treasury shares | -522.4 | -522.4 |
| Dividends to Group shareholders | -198.7 | -198.7 |
| Transaction / Restructuring costs | -5.8 | -5.8 |
| Foreign exchange adjustments | 101.5 | 101.5 |
| Arrangement fees amortization and other non cash items | -9.8 | -9.8 |
| Decrease/(increase) in net debt | 400.8 | 400.8 |

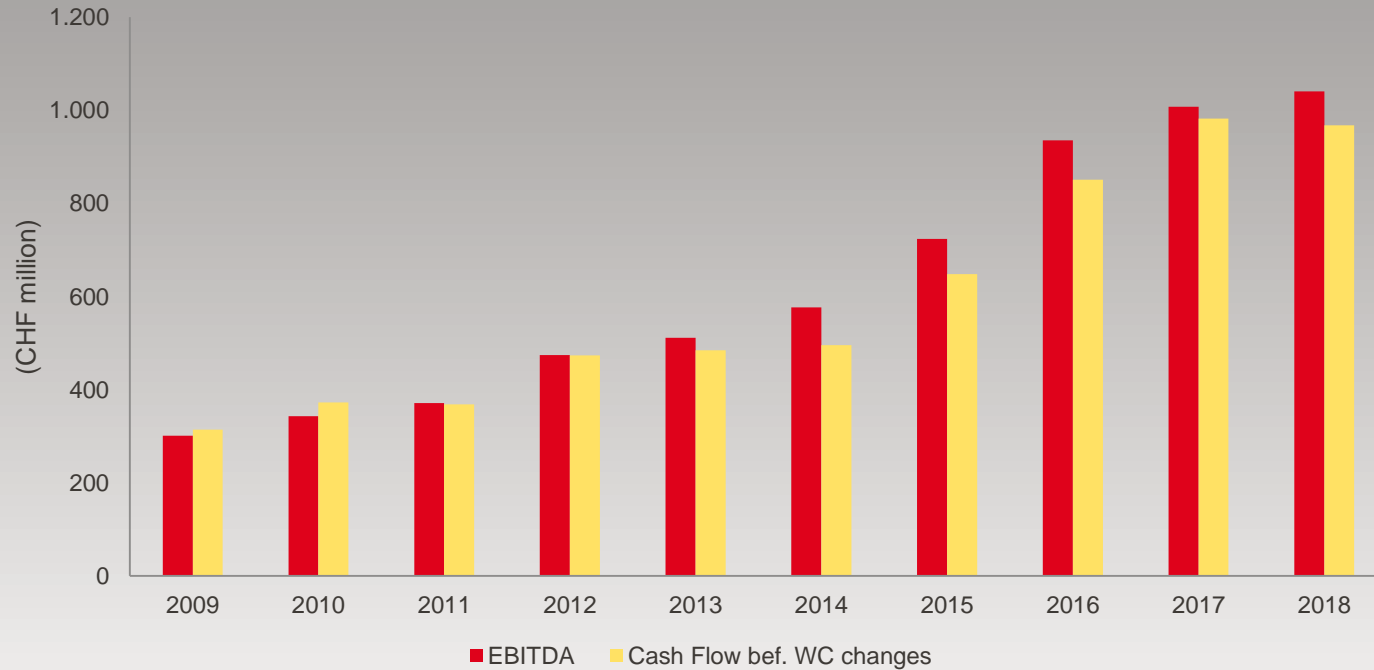
Entire D&A (including RoU) excluded in the cash flow

Add back Lease Payments from the cash flow from operating activity

- Cash Flows reclassified between operating and financing cash flows
- No change to net cash flows!

3 IFRS 16 – Cash Flow Statement

- There may be a concern that cash flows may deviate from P&L metrics and are not indicative of cash generation
- However, EBITDA and cash flow before working capital changes are highly correlated



IFRS 16 - Summary

- Amount to be capitalized does not say anything about the quality or profitability of the contract
- Capitalization has negative impact on net earnings in first year and positive impact in late years of the contract
 - Negative net earnings impact is not an indicator for the quality of the contract and the concession portfolio as a whole
- The balance sheet and the P&L may develop quite dynamically
 - Renew/win of new concessions
- Cash Flow remain unchanged
- Change in accounting standard has no economic impact on Dufry
 - Turnover and gross profit completely unaffected
 - Net Cash Flow completely unaffected
- Group ambition and strategy to remain unchanged

2

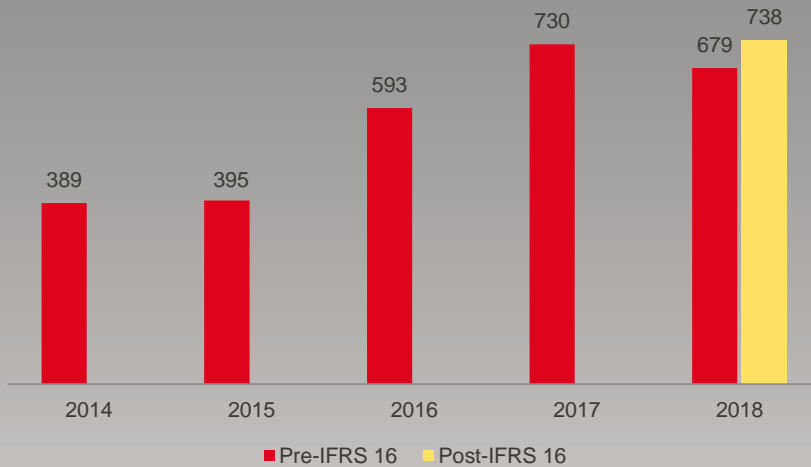
KPIs

Adjusted / KPIs adjusted to IFRS 16

- Introduction of a set of KPIs adjusted to implications of IFRS 16
 - EBITDA no longer suitable as proxy for underlying cash operating profit
- KPIs
 - Turnover / Organic Growth
 - Adjusted Operating Profit (Adjusted EBIT)
 - Adjusted Net Profit / Adjusted EPS
 - Adjusted Operating Cash Flow
 - Equity Free Cash Flow

IFRS 16 - KPIs: Adjusted operating profit (Adjusted EBIT)

Adjusted operating profit (Adjusted EBIT)

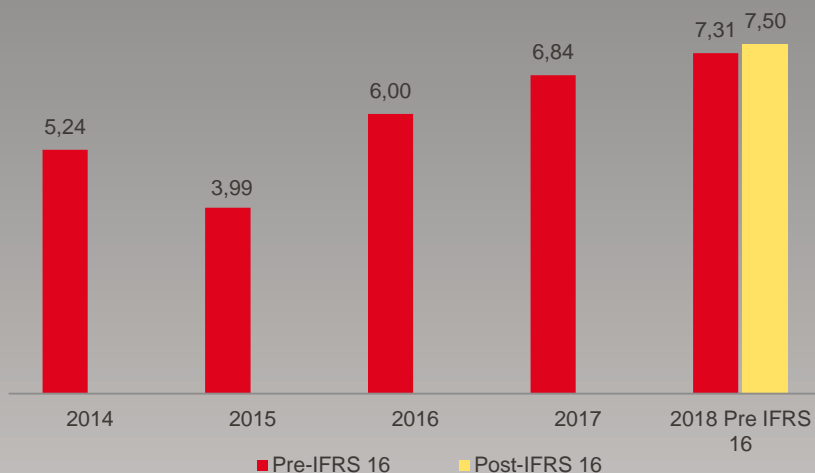


| Definition | 2018 post-IFRS 16 |
|--|----------------------|
| Operating profit (EBIT) | 421.8 |
| + Acquisition related amortization | 316.5 |
| = Adjusted operating profit (adjusted EBIT) | 738.3 |

- Good operating profit metric
- Limited impact from IFRS 16
 - Part of leases expenses are replaced with depreciation of right of use assets
- Similar growth compared to top-line

IFRS 16 - KPIs: Adjusted Net Profit / Adjusted EPS

Adjusted Net Profit / Adjusted EPS

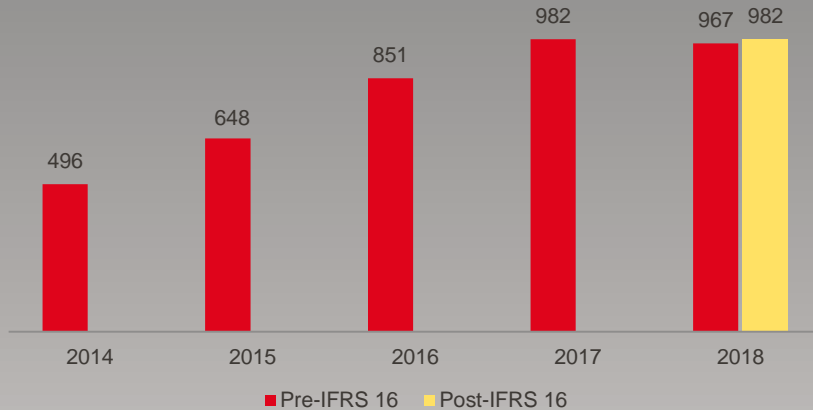


| Definition | 2018 post-IFRS 16 |
|--|-------------------|
| Net profit to equity holders | -4.7 |
| + Acquisition related amortization | 307.4 |
| = Cash net earnings | 302.7 |
| + Interest from lease liabilities | 154.7 |
| - Deferred taxes from lease liabilities | -13.7 |
| - Deferred taxes from acquisition related amortization | -54.6 |
| = Adjusted Net profit | 389.1 |
| # shares | 51.9 |
| = Adjusted EPS | 7.50 |

- Adjusted EPS good overall indicator of the performance of the business
- Easier to use for comparison than free cash flow metric
- Adjustment allow to show normalized (sustainable) earnings generation
- Should grow faster than top line
- Adjusted profit margin

IFRS 16 - KPIs: Adjusted Operating Cash Flow

Adjusted Operating Cash Flow

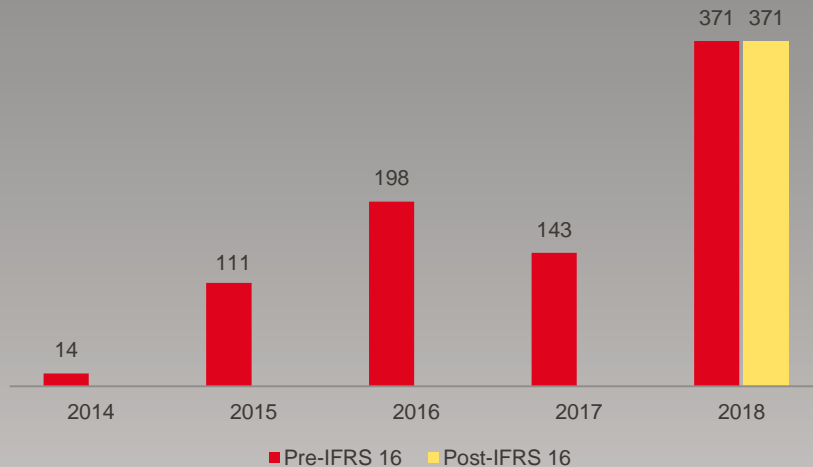


| Definition | 2018 post-IFRS 16 |
|--|-------------------|
| Cash flow before working capital changes | 1,986.0 |
| - Lease payments, net | -1,004.0 |
| Adjusted Operating Cash Flow | 982.0 |

- Good proxy for cash generation from operations
- Very similar to former EBITDA concept
- Also used for new covenant calculation replacing EBITDA
- Limited impact from accounting
- Can be measured as a percentage over turnover

IFRS 16 - KPIs: Equity Free Cash Flow

Equity Free Cash Flow



| Definition | 2018 post-IFRS 16 |
|-------------------------------------|----------------------|
| Adjusted Operating Cash Flow | 979.8 |
| +/- Changes in net working capital | -4.1 |
| - Income taxes paid | -132.8 |
| - Capex | -251.1 |
| + Interest received | 29.5 |
| = Free cash flow | 621.3 |
| - Net Interest Paid | -169.9 |
| - Cash flows related to minorities | -64.2 |
| +/- Other financing items | -16.4 |
| = Equity Free Cash Flow | 370.8 |

- Real Cash Flow from underlying equity
- Limited impact from accounting
- Reflects also balance sheet structure
- High variance overall
- Similar growth compared to top-line

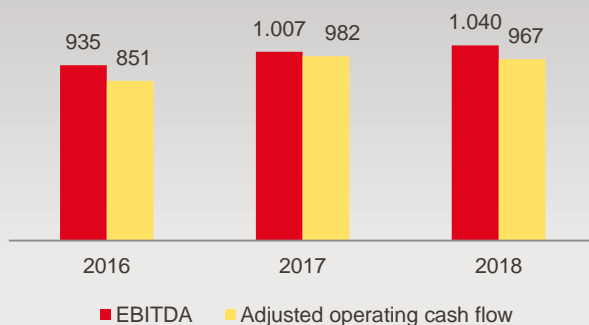
Covenants – Amendment Financial Covenant Bank Financing

New covenant
after IFRS 16

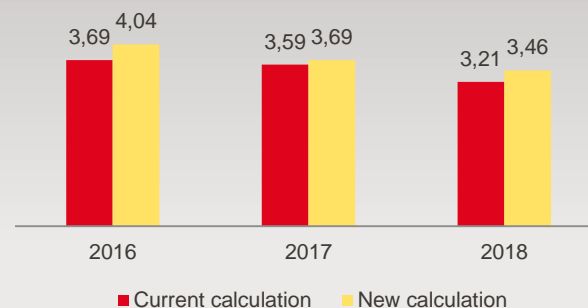
Net Debt
remains the
same; Adjusted
Operating Cash
Flow replaces
EBITDA

- IFRS16 requires an amendment of the financial covenants under the bank financing
- Definition of Net Debt to remain the same but EBITDA to be replaced by a cash flow metric: Adjusted Operating Cash Flow
 - Adjusted Operating Cash Flow represents a solid proxy to former EBITDA
- Threshold to be increased from 4.0x to 4.5x to maintain headroom
 - The new calculation results in a slightly higher covenant as the Adj. CF is lower than Adj. EBITDA.
 - The change does not reflect additional financial flexibility

Historical comparison EBITDA vs
Adjusted Operating Cash Flow (CHFm)



Historical comparison current vs new calculation



3

Q1 2019 results

Income statement: Pro forma Q1 18 adjustment for better comparability

Q1 2019 according to IFRS 16 with no restatement in 2018

Adjustments provided for 2018, although only works as an indication

New lines in P&L with different scope, therefore certain reclassifications were needed

| - in CHFm - | Q1 19 | Q1 18 | | | Comp- arable | Note |
|--|----------------|----------------|--------------|---------------|-----------------|------|
| | Reported | Pro-forma | Reclass. | IFRS16 impact | | |
| Turnover | 1,882.6 | 1,820.0 | - | - | 1,820.0 | ✓ |
| Gross Profit | 1,135.6 | 1,089.9 | - | - | 1,089.9 | ✓ |
| Lease Expenses | (325.0) | (294.6) | 31.8 | 196.9 | (523.3) | X 1 |
| Personnel Expenses | (307.7) | (284.8) | - | - | (284.8) | ✓ |
| Other Expenses | (131.6) | (129.5) | (42.8) | 12.7 | (99.4) | X 2 |
| Share results of associates | - | - | (0.7) | - | 0.7 | |
| Depreciation (excl. RoU) | (47.4) | (43.9) | - | - | (43.9) | X |
| Depreciation of RoU | (264.0) | (245.1) | - | (245.1) | - | X 3 |
| Amortization | (90.8) | (89.6) | - | - | (89.6) | |
| Linearization | - | - | - | 39.9 | (39.9) | |
| Other operational result | - | - | 11.0 | 0.3 | (11.2) | |
| Operating Profit (EBIT) | (30.9) | 2.4 | (0.7) | 4.7 | (1.5) | X |
| Financial Result (excl. lease interest / FX) | (32.7) | (33.6) | 0.7 | - | (34.3) | X |
| Lease Interest | (40.2) | (42.8) | - | (42.8) | - | X 4 |
| FX | (6.8) | (5.7) | - | (8.7) | 2.9 | |
| Profit before Taxes | (110.6) | (79.7) | - | (46.8) | (32.9) | X |
| Income Taxes | 1.0 | (7.0) | - | 5.7 | (12.7) | X 5 |
| Net Profit | (109.6) | (86.7) | - | (41.1) | (45.6) | X |
| Non-Controlling Interest | 0.1 | 2.4 | - | 4.3 | (1.9) | X 6 |
| Net Profit to equity holders | (109.5) | (84.3) | - | (36.8) | (47.5) | X |

1) Variable concessions and variable part of concessions which contain a MAG. Selling Expenses not related to concession fees (e.g., credit card commissions, packaging, etc.) moved to Other Expenses. Leases of office buildings, warehouses, etc. move to this line from General Expenses.

2) All other operating expenses. Items reclassified to this line: Former other operational results line and Selling Expenses not related to concession fees (e.g., credit card commissions, packaging, etc.)

3) Linear depreciation of right of use (balance sheet)

4) Interest charge on Lease Liability

5) IFRS 16 impact on deferred taxes

6) Above mentioned impacts attributable to minorities

Income statement KPIs: Adjusted Operating Profit (Adjusted EBIT) and Adjusted Net Profit

Adjusted Operating Profit (adjusted EBIT)

| | Q1 2019 | Q1 2018 Pro-forma |
|--|-------------|----------------------|
| Operating Profit (EBIT) | -30.9 | 2.4 |
| Acquisition-related amortization* | 76.9 | 78.0 |
| Adjusted Operating Profit (Adjusted EBIT) | 46.0 | 80.4 |

- Variation mainly related to:
 - Gross profit increase by CHF 45.7 million
 - Increase in personnel expenses in North America
 - Increase in minimum wages
 - Change in local management structure
 - Increase in Lease Expenses and Depreciation of Right of Use:
 - New contracts
 - Contract renewals

Adjusted Net Profit / Adjusted EPS

| | Q1 2019 | Q1 2018 Pro-forma |
|-----------------------------------|--------------|----------------------|
| Net Profit to equity holders | -109.5 | -84.3 |
| Acquisition-related amortization* | 71.5 | 77.4 |
| Lease interest | 40.2 | 42.8 |
| Deferred tax on items above | -11.0 | -13.8 |
| Adjusted Net Profit | -8.8 | 22.1 |
| # shares | 49.8 | 53.2 |
| Adjusted EPS | -0.18 | 0.41 |

- Number of shares reduced due to share buyback program executed in 2018
 - Accretion effect of 6%

Cash flow statement

Adjusted
Operating Cash
Flow at similar
levels to last
year

Income tax lower
due to a tax
refund in Q1
2019

| Cash flow statement | | |
|--|---------------|---------------|
| (CHF million) | Q1 2019 | Q1 2018 |
| Cash flow before working capital changes | 386.4 | 164.7 |
| Lease payments, net | -227.1 | - |
| Adjusted Operating Cash Flow | 159.3 | 164.7 |
| Changes in NWC | -171.0 | -130.8 |
| Income tax paid | -0.5 | -23.3 |
| Capex | -58.5 | -63.0 |
| Interest received | 7.6 | 7.8 |
| Free Cash Flow | -63.1 | -44.6 |
| Interest paid | -46.9 | -44.2 |
| Cash flows related to minorities | -10.1 | -7.1 |
| Other financing items | -2.9 | -7.4 |
| Equity Free Cash Flow | -123.0 | -103.3 |
| Net proceeds from Hudson IPO | - | 665.5 |
| Net purchase of treasury shares | - | -120.6 |
| Foreign exchange adjustments | -12.3 | 40.5 |
| Arrangement fees amortization and other non cash items | -1.7 | -4.8 |
| Decrease/(increase) in net debt | -137.0 | 477.3 |

Balance sheet

Intangible assets
mainly
generated by
acquisitions

Hudson IPO
impacting Equity
to equity holders
and Equity to
minorities

Summary balance sheet as per 31.03.2019

| (CHF million) | 31.03.2019 | 31.12.2018 | Variation |
|--|---------------|--------------|--------------|
| Right of use assets | 4,276 | 0 | 4,276 |
| Concession right finite life | 3,086 | 3,086 | 0 |
| Goodwill, Brands, Conc. rights indef. life | 2,906 | 2,918 | -12 |
| Other intangible assets | 108 | 113 | -5 |
| Other non current assets | 257 | 300 | -43 |
| Core Net Working Capital | 550 | 485 | 65 |
| Other current assets | 465 | 526 | -61 |
| PP&E | 647 | 644 | 3 |
| Total | 12,295 | 8,073 | 4,222 |
| Lease obligations | 4,343 | 0 | 4,343 |
| Equity | 3,307 | 3,342 | -35 |
| Net Debt | 3,423 | 3,286 | 137 |
| Non current liabilities | 111 | 179 | -68 |
| Deferred tax liabilities, net | 277 | 287 | -10 |
| Other current liabilities | 834 | 980 | -146 |
| Total | 12,295 | 8,073 | 4,222 |

Q&A

Thank you

 DUFRY